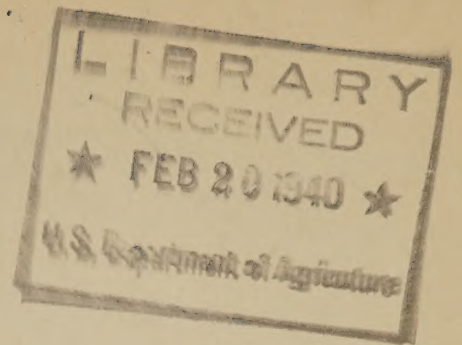


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REPORT OF CONFERENCE OF REGIONAL RR OFFICIALS

WARDMAN PARK HOTEL

WASHINGTON, D. C.

September 18 23, 1939

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SECURITY ADMINISTRATION
Washington

Subject: Conference of Regional RR
Officials, Wardman Park
Hotel, Washington, D. C.,
September 18-23, 1939

Copies of Speeches and Committee Reports made at the above referred to Conference are attached as follows:

Speeches:

Opening Address by Dr. W. W. Alexander, Administrator, Farm Security Administration.

Address by R. C. Smith, Chief Program Analyst, Bureau of Agricultural Economics, "Land-Use, Farm Mortgage Indebtedness, and Tenancy in Relation to Rural Poverty".

Address by Frank Lorimer, Instructor, Graduate School, American University, "The Relationship of Present and Prospective Population Trends to the Problem of Rural Poverty".

Address by Dr. Carl C. Taylor, Chief, Division of Farm Population and Rural Welfare, Bureau of Agricultural Economics, "Regional Specialization, Technological Improvements in Agriculture, and Competition Between Commercial Farmers and Family-Sized Units, as Related to Rural Poverty".

Address by Theodore J. Kreps, Temporary National Economic Committee, "Our Search for Economic Freedom".

Closing Address by Mr. James G. Maddox, Director, Rural Rehabilitation Division.

(Edited copies of speeches made by Henry A. Wallace, Secretary of Agriculture, A. A. Berle, Jr., Assistant Secretary of State, Mr. Gunnar Myrdal, and by Dr. W. W. Alexander at the close of the Conference, are not available for distribution to the field. A substitute Address by Henry A. Wallace, "What the Scientist Can Do to Combat Racism" is attached.)

Committee Reports:

Committee No.	1	Subject for Discussion:	"Effects of Technological Progress".
"	" 2	" " "	"Health".
"	" 3	" " "	"Use of Grant Funds".
"	" 4	" " "	"Dropped and Paid-up Cases".
"	" 5	" " "	"Land Tenure".

Committee No. 6		Subject for Discussion:	"Non-agricultural Problems".
" 7	" "	"	"Land Use Planning".
" 8	" "	"	"Community and Cooperative Services".
" 9	" "	"	"Improvements in Organization".
" 10	" "	"	"Living Standards".
" 11	" "	"	"Farm Debt Adjustment".

September 18, 1939

Dr. W. W. Alexander

I don't think it is necessary for me to say much about why we have asked you to come in for this meeting. We had two reasons for doing so. First, this is an attempt to share with you our sense of your responsibility and the importance of what all of us in the Farm Security Administration are trying to do. Our contacts here in Washington are with the Regional Directors. We think of the Regional Directors as the custodians of our policies in the region, we think of them as being responsible for the interpretation of those policies to the large number of people who must participate in making them effective.

I think the Regional Directors have been very faithful in their administration of that responsibility. It is not, however, humanly possible for any one man to do everything. The Regional Director is a busy man. I expect that many of you have not had a chance for a really thorough talk with your Regional Director in sixty days. Yet we know that if our policies and interpretations of our program don't get beyond the Regional Director and his immediate staff, they will not be carried out. We know that in a very peculiar and vital way you men and women in this room are the only people who can carry those policies into actual operation in the field.

The real test of our program is, of course, what goes on in the county offices, and on the farms and in the homes where our county men and women work. The county office is a long way from this table. It is a long way from the Secretary's office; and it is a long way from the Capitol where the authorizing and enabling legislation is written. I am amazed sometimes when I go into these offices to see how well our county people are doing their jobs. I also am amazed when I see all of the things that we have sent out in the way of procedure and instructions. When I go with our county people out into the field, I can see how well they have mastered the fundamental things - yet I know how many of them are always conscious of the fact that we put too much work on them. Our county supervisors have too much to do; they have had too much to learn in the brief time at their disposal. Reflecting on these things, I realize how important it is for us to keep open the channels down to the people in the field, if we are to get our work done. That is the first reason we have asked you here. We realize that you men and women in this room can, even more than a Regional Director, give the interpretations and make vital the ideas that lie back of the things we are attempting to do.

The second reason for calling you here is the fact that this problem we are dealing with is a part of a very much larger problem, which we are in danger of overlooking.

I think agricultural leaders have frequently made the mistake of trying to isolate agriculture from the rest of the economic system. Sometimes those of us who are interested in the economic aspects of agriculture have made the mistake of trying to isolate the economic aspects of rural life from its other aspects. This can't be done. There is no possibility of separating the things that we are trying to do from the larger economic problems of the nation. We shall not be able to do our job well until we realize this fact. For these reasons, you will be asked to discuss the national economic background of the problems that the Farm Security Administration is facing, and the relation of these problems to the larger economic problems.

We have here a group of people who can do more than anybody else to take the ideas that lie back of our program and carry them down to the county offices where, after all, our work has to be done. These are our farm management, our home management, our loan and collection people, our cooperative people, our farm-debt adjustment people, and our health people from the various regions. They are moving about constantly in the field, working with the personnel that works directly with our borrowers. They are, in a way, just one stage removed from these borrower families, and, therefore, the most effective pipeline between those families and Washington.

WHAT THE SCIENTIST CAN DO TO COMBAT RACISM

Address by Secretary of Agriculture Henry A. Wallace
as leader of a panel discussion sponsored by the Committee for Democracy and Intellectual Freedom, in the Hall of Science and Education at the New York World's Fair, Saturday afternoon, October 14, 1939

Last February, on Lincoln's Birthday, I talked before the Committee for Democracy and Intellectual Freedom on the broad subject "Racial Theories and the Genetic Basis for Democracy". It was an especially appropriate subject for that anniversary. Now, this week, when we are celebrating Columbus Day, it is fitting that we discuss the rediscovery of America as proclaimed by this Committee.

Our panel discussion today is to deal especially with the subject of "racism" -- that is, the attempts of individuals in certain groups to dominate others through the building up of false racial theories in support of their claims. Our discussion also will include the role that scientists can play in combating such false theories and preventing the use of these theories for the destruction of human liberty.

Naturally, having spent some years in the field of genetics, I would be the last person in the world to deny that heredity is an important factor in the plant and animal and human world around us. In recent years I have dealt more directly with social problems, and I have been just as greatly impressed with the part played by environment. But my experience in both these fields has given me some insight also into the misconceptions and limitations as to both heredity and environment as factors controlling the destinies of human beings.

As I pointed out in my talk last February, some of the propaganda about superior racial stocks is pure nonsense and has no basis in scientific fact.

It may be worth while here today to review briefly the old question of heredity and environment, and see what is the consensus of present scientific judgment on this subject.

Marvelous progress has been made in the field of genetics in the 39 years since Mendel's law began to be put to work by myriads of scientists unraveling problems of heredity. Our knowledge of chromosomes and genes and the way they affect the development of animals and particularly plants has been helpful in **increasing the efficiency of agricultural production**. Much that has been done, not only in the development of strains of livestock for the farm, but in the breeding of race horses, dogs, and other animals, is due to the concentration of desirable genes through selective breeding.

People naturally have said, "If such wonderful results can be attained with plants and animals, why not breed up a superior race of humans?"

Efforts in this direction may some day be worth while, but we should recognize today the meagerness of our knowledge and the impossibility at present, so far as human heredity is concerned, of translating even that meager knowledge into practice.

We know that human heredity is transmitted through the 48 chromosomes with which each baby starts its life. On these chromosomes, which are found in every cell of the body, are the bead-like structures called genes which in some fashion determine the various characteristics of the individual. From our genetic studies we know that in humans there are perhaps 10,000 of these genes -- governing not only physical characteristics such as color of eyes and skin, but also mental and emotional attributes. Obviously, in view of the life span of human beings and the number of genes with which we must deal, it is absurd from a scientific, to say nothing of a sociological, point of view to expect to be able to breed up a new race which is superior in mental and moral as well as physical qualities, even if we had many hundreds of years in which to work.

It might be possible to concentrate on some one characteristic, such as tallness, and produce striking results in a few generations, in the way that livestock breeders have done through selective breeding with colors of coat and other physical characteristics that mark the breeds. Or we might be able to do spectacular things in the way of musical ability, which we know definitely is transmitted as a hereditary trait.

But as to the transmission of intelligence, our knowledge is still very limited. During the last three years the Department of Agriculture, in its experiment station at Beltsville, Maryland, has been studying intelligence and its associated characters in dogs, in an effort to learn to what extent these characters are inherited and how they respond to different environmental stimuli.

As measures of intelligence, six different tests have been used, these being designed to measure such characters as learning, obedience and courage and the extent to which variations in these traits affect sheep-herding ability.

Tremendous variations in intelligence, as measured by these tests, have been found to exist. Some dogs respond well to all tests and others are distinctly morons. Others respond well to one test, such as a test of courage or obedience, but fail on others. One dog passes all the tests with flying colors, but for some reason is a failure when it comes to actual sheep herding. Like some humans, he is good as long as he is passing examinations, but a failure in the business world. Timidity may so affect the behavior of an otherwise intelligent dog that it will fail completely in its other tests, yet the evidence would seem to indicate that such dogs if properly handled may do exceptionally well as sheep herders.

Experimental matings of the dogs are now in progress to determine in what way such characteristics are inherited. It is too early to know the outcome of these matings, but our results so far show that great variation exists in these traits in all breeds. It is evident from the results that breed differences

do exist with respect to certain traits. In the main, however, with environment constant, we know that so far as intelligence is concerned, there is much more difference between the animals within the breed than between the breeds themselves.

Heredity is a fact, and we can not escape its effects. But I think any geneticist worthy of the name would agree that environment is also a fact, and that we can not truly evaluate the place of heredity unless we provide a favorable environment for the chromosomes and genes to do their work. The inherited character is the end result of the interaction of specific genetic factors, or genes, under the conditions of the environment. Years ago, when I was in college, the boys used to ask the animal husbandry professor what cross produces the best meat animal. He usually answered, "the corn-crib cross" -- in other words, plenty of food. That applies not only to meat animals, but also to children, and explains why good diet is so important in children's growth and development. It also explains the efforts of the Department of Agriculture to improve the diet of our under-privileged children through the Food Stamp Plan and other measures which are making the surpluses of the farms available to consumers who need them most. We feel that good feeding is more important than racial selection in improving our national stock.

Numerous experiments have been carried on by geneticists and psychologists to determine if possible the relative importance of environment and heredity, or nurture and nature. In these experiments, various tests, including that known as the IQ test, have been applied. One experiment, carried on in Iowa, measured the IQ of children born of moronic mothers so as to determine whether their IQ had been raised after being placed in a favorable environment. Other studies have been made with identical and fraternal twins, some pairs having been reared together and others apart.

Walter S. Neff, of the College of the City of New York, in his study of "Socio-economic Status and Intelligence" points out that nearly all the differences in intelligence between groups of children of the highest and lowest status is due to environment. This is his conclusion after a critical survey of the comparatively large amount of work done by various scientists. He says that "it has definitely not been proved that social status of the parent has anything to do with native endowment of the infant. That a positive relationship later in the life of the individual may develop is hardly denied. But all the summarized studies tend to show that low cultural environment tends to depress IQ approximately to the degree agreed to as characteristic of laborers' children, and that a high environment raises IQ correspondingly. All, then, of the twenty-point mean difference in IQ found to exist between children of the lowest and highest status may be accounted for entirely in environmental terms."

That is the end of the quotation from Mr. Neff.

The truth is that, from a practical standpoint, we can do very little to improve the heredity of human beings. Most of the differences which are attributed to race are really due to social or economic background, and we know positively that social and economic background in the vast majority of cases has nothing whatever to do with heredity. In other words, there is no reason to believe that a thousand children from wealthy homes on Park Avenue in New York City will on the average have any more intelligence than a thousand children from poverty-stricken sharecropper families from the South if both are given the same food, care and educational opportunity. There are some environments in the United States which I suspect might in certain cases cause a child 16 years old to have an IQ of 60 and other environments which might cause the same child at the age of 16 to have an IQ of 120. That would be an extreme example, of course, but it illustrates my point, which is that although we can do very little to improve the heredity of human beings, we can do a great deal to improve their environment.

The effect of environment on body size was brought out by studies completed recently by the Bureau of Home Economics in cooperation with the W.P.A. Measurements were obtained on 147,000 boys and girls distributed in 15 states and the District of Columbia. Thirty-six body measurements including weight were taken on every child.

It was found that these children differed in body structure from state to state. The children measured on the West Coast, for instance, are on an average larger than the children measured in any other section of the country. Children of different social and economic groups were compared and the results showed that children of a higher income level were on the average larger with respect to most measurements than children of the lower economic level. In some instances, the social and economic comparisons were made between and within regions. The results were quite illuminating. Children of the higher economic level measured on the West Coast were found to be larger than the children of the lower economic level in the same region. Also, children of the higher economic level in another region were found to be larger than the children of the lower economic level of that region. One might jump to the conclusion that the children in the wealthier families had a better heredity. But the children of the lower economic level measured on the West Coast were larger than the children of the higher economic level measured in the other region to which I refer. Unless we are ready to concede that there are distinct hereditary differences between the people of our several states, or that the differences can be accounted for by selective migration, we must assume that the variations in size are due to variations in environment.

Further evidence of the effect of environment is found in observations of the Farm Security Administration concerning under-privileged farm families. Economic handicaps resulting from the tilling of sub-marginal land or too small acreage, from one-crop farming, and from insecurity of tenure go along with lack of education and poor health. Doubtless in some cases there are also hereditary weaknesses, but we have reason to believe that deficiencies due to remediable environmental drawbacks are far more frequent than those due to hereditary tendencies.

I have discussed the question of environment in relation to heredity at some length because it has a direct bearing on the claims concerning superior racial stock -- claims that have to do not only with definite physical characteristics but also with the less tangible mental and spiritual traits.

Such claims have been put forth in Europe within the last few years as a justification for conquest and the suppression of human liberty.

The fallacies of such claims as they pertain to any one group of Europeans are readily apparent from a study of the purity of European nationalities and stocks. To show just how far from pure these stocks actually are would require a comprehensive analysis of the entire history of Europe. But even in the absence of such a detailed study, their mixed or heterozygous nature is apparent from the historical fact that conquering tribes of Huns, Turks, Mongols, and other peoples moved across the face of Europe and blended with such diverse groups as the Armenians, Finns, Slavs, Greeks, and Germans. The introduction of the African negro slaves and the intermingling of the various local peoples of Europe also contributed to the mixture. All of this intermingling brought about not only a diversity of common physical characteristics but also the more important psychological ones. Europe has been a vast "melting pot" of peoples for thousands of years, just as America has been a "melting pot" for the same peoples for the past 200 years.

The racial situation in Europe is so confused that even the Nazi theorists have been appalled and have found it necessary to retreat from the concept of a Nordic body to a Nordic soul. Apparently it is necessary to infer that among the leaders of the Nazis there are some typical Nordic souls animating some exceedingly non-Nordic bodies.

I do not wish to give the impression that the mixing, or blending, of European stocks was undesirable. I do wish to emphasize the historical fact that it occurred, and in the light of this fact, to point out that it is sheer nonsense for anyone to talk about the purity of any European stocks. Europe gives us one of the best examples that we could have of a heterozygous population. In its population are gathered

together most of the human genes of the world -- genes that determine size; color of skin, hair and eyes; intelligence, craftiness, feeble-mindedness, and thousands of other characteristics.

Judging by our corn studies, which involve the actual creation of pure strains, as the Nazis apparently would like to do with human beings, it would require at least 17 generations, or 500 years, of the closest possible kind of breeding to get out of this conglomerate population anything approaching purity. Corn breeding work has taught us that pure lines derived in this way are usually weak and require crossing in order to attain vigor. The vigor of the human race has continuously been sustained by crossings of diverse types.

It is, of course, undeniable that the idea of a racially pure stock has great emotional appeal, and that for economic and political purposes only it has been used very effectively to fool many people. But scientists should be the last to be deceived by false racial theories based on emotional appeal and fostered for political purposes.

There is really no such thing as a pure race, in the sense in which the term is commonly used by fanatics. I like the statement contained in a resolution unanimously passed by the American Anthropological Association in December, 1938, which said: "Race involves the inheritance of similar physical variations by large groups of mankind, but its psychological and cultural connotations, if they exist, have not been ascertained by science."

It is not only in Europe that fallacious claims concerning mentally superior racial stocks are made. In this country, much of our thinking is based on assumptions that certain races or racial strains are mentally superior or inferior. These assumptions crop out in discussions of voting rights, of immigration policies, and of the sterilization of supposedly "inadequate" members of society. As I said a moment ago, heredity plays its part in human affairs. There are great differences between the heredity of different individuals, but as in the case of breeds of livestock developed for the same purpose, the differences between the individuals within a given nationality or group are much greater than the differences between the nationalities or groups. Most of the assumptions commonly held about superior or inferior human stock are not in accord with the findings of science.

It is encouraging therefore to discover the balanced scientific view of this question so well stated by a group of leading thinkers in the "Geneticists Manifesto" made public at Edinburgh at the time of the Genetics Congress held there last August. This manifesto, accepting the existence of hereditary differences between human beings as a basic premise, declares that "The effective genetic improvement of mankind is dependent upon major changes in social conditions, and correlative changes in human attitudes," and that "there can be no valid basis for estimating and comparing the intrinsic worth of different individuals without economic and social conditions which provide approximately equal opportunities for all members of society instead of stratifying them from birth into classes with widely different privileges." The manifesto calls for the "removal of race prejudices and the unscientific doctrine that good or bad genes are the monopoly of particular peoples or of persons with features of a given kind." It declares that genetic improvement of the race can not be achieved "unless there is an organization of production primarily for the benefit of consumer and worker, unless the conditions of employment are adapted to the needs of parents and especially of mothers, and unless dwellings, towns and community services generally are reshaped with the good of children as one of their main objectives." And the manifesto concludes: "The day when economic reconstruction will reach the stage where such human forces will be released is not yet, but it is the task of this generation to prepare for it, and all steps along the way will represent a gain, not only for the possibilities of the ultimate genetic improvement of man, to a degree seldom dreamed of hitherto, but at the same time, more directly, for human mastery over those more immediate evils which are so threatening our modern civilization."

That is the end of the quotation from the manifesto.

Those "immediate evils" of which the manifesto speaks are all too terrifyingly real to be ignored. All of us have seen how the fallacious doctrines of racial superiority have been translated into attempts to perpetuate or seize political and economic advantage. In some countries of Europe, these attempts have been completely successful, and personal freedom -- including freedom of the scientist to follow his calling unhampered -- is gone. In the United States also, "racism" has reared its ugly head.

For the combating of "racism" before it sinks its poison fangs deep in our body politic, the scientist has both a special motive and a special responsibility. His motive comes from the fact that when personal liberty disappears, scientific liberty also disappears. His responsibility comes from the fact that only he can give the people the truth. Only he can clean out the falsities which have been masquerading under the name of science in our colleges, our high schools and our public prints. Only he can show how groundless are the claims that one race, one nation, or one class has any God-given right to rule.

To disseminate the truth about this all-important question is the first duty of the scientist. But his responsibility goes further. He should without ceasing to be a scientist do his best to bring better social and economic arrangements. He should throw his weight definitely on the side of making our democracy a true democracy, so that every child and every adult may have an equal opportunity to earn and enjoy the good things of life. In doing this he will truly serve science, and he will truly serve humanity.

In this hour of worldwide crisis, it is time for the men of science to act. It is time for them to band together to spread far and wide the truth about the genetic basis of democracy, and to work together for a better environment so that our political democracy and scientific freedom may survive.

September 18, 1939

R. C. Smith

Subject: Land-Use, Farm Mortgage Indebtedness, and Tenancy in Relation to Rural Poverty.

I have been asked to discuss the topic of Land-Use, Farm Mortgage Indebtedness, and Tenancy in Relation to Rural Poverty. As I have thought of that topic, a sort of series of topics, it seemed to me that it was necessary for us to attempt to think of those things not of themselves, but more in relation to the general background and setting in which people are attempting to make a living today on our farms. Farm mortgage indebtedness in itself is not a particularly serious thing. I can think of conditions under which farmers would be indebted up to one hundred percent of the value of their farms, and, if security was provided in some other way, still be quite well situated. Farm mortgage indebtedness in itself, like tenancy in itself, is not particularly important except in relation to the general situation and setting in which we are considering these problems today. First, let us discuss the general situation and then later discuss these items more specifically.

I would like first to go back in our thinking to the origin of our farm people in Europe and consider for a few moments the rural culture in Europe from which our people came. In Europe of a hundred years ago and to quite an extent in Europe today we have people interested in land as a "place to live and die", -- in other words with a permanent interest in land. Land is considered as a home, a place to make a living, and as a place to raise a family with the expectation of those on the land will stay there until they die.

This European rural culture has given to the farm people of Europe a stability and a security that I do not believe we have in this country. They do not have the sale of land in Europe that we have here, nor do they have so much fluctuation in land values. They do not have the speculation in land that we have in our country. Because of their culture and the way they have looked at land they have just naturally taken care of the soil and of the forests. The forest culture in Europe is on a basis of sustained yield, as they say, and they do not cut more timber out of the forest than grows each year. They have the same attitude toward their soil. They take care of it and prevent erosion. They take a pride in their farms and in their tillage methods. In this European rural culture we do not find an extremely high standard of living, in material terms at any rate, but we do find a pretty high standard of living in terms of community life. Most of the farm families live in villages, they know their neighbors, they live together and they live quite fully, considering the resources that they have. While they have security they also have some difficult problems in having a high plane of living. They have very high production per acre; much higher than we have in this country, but a rather low production per man. This does not give them as high a standard of living as we have in parts of rural America. They have the problem of their land having been divided into pretty small holdings. They also have the problem of frequent wars which disrupt their whole economy and prove disastrous in many sections.

Now, let's leave this European rural culture and consider our own early rural culture in America. By early culture, I mean previous to the Revolutionary War and extending for a short period after the Revolutionary War. Our farmers at that time started farming with the background of European culture and the traditions of European farming. They began in some sections by settling in villages similar to those in Europe, such as in New England. In the South settlement developed somewhat differently, as farming to quite an extent was based upon a slave economy. However, as I heard Dr. Alexander say recently, there was only a small percentage of the farmers who owned slaves. Farming in those early days was pretty largely self-sufficing and production was mainly for home use. About ninety percent of the population lived on farms and most of the farmers owned the land which they tilled. This gave them security. Depressions hurt them less than today. During these early days we had fairly good use of the land in this country, although even then misuse of land was beginning because we had such vast quantities of good land available. In those days poverty as we know it today, was unknown. All of the people were, I suppose we might say, rather poor, but very few were wealthy. We did not have the extremes of great wealth and poverty side by side. In that early period, agriculture began to expand. The people began to move across the mountains to settle in the Ohio Valley and the Mississippi Valley, and the great expansion in American agriculture got under way.

Shortly after that period, we had some technological developments which I think were quite significant. We had the invention of the cotton gin, and of the self-binder. We had also the invention of a plow which made possible the plowing up of heavy grass lands which up to that time had never been plowed. Along with these changes we had the development of bulk ocean transportation. All of these things set the stage for the expansion and development of the mid-west, of the great plains, and of the far west. Dr. Sawyer, a geographer at the University of California, said recently that he considered that the plowing up of the grass lands in the United States is the unwritten portion of the industrial revolution and is of very great significance.

Let's skip on to the last part of the last century and the earlier years of the present century. We find a very rapid spread of farming over the good lands. Some dry lands were irrigated and in other dry areas dry farming began to be practiced. During this period, land became more and more to be considered not only a place to make a living, but as a commodity. That has made a great change in agriculture in this country. With that we have speculation in land beginning. We have tenancy increasing gradually and with tenancy, we have the ownership of land by people who do not till the land. During this period, a part of the agriculture of the country became quite highly commercialized. We also had increasing land values and accompanying this increase in price we had an increasing amount of mortgage indebtedness. Taxes

became more of a factor and along with interest and mortgage principal payments required more cash from the farming operations. We got higher standards of living for some of the people in the country as a result of this expansion and lower standards of living for others. It was a time of early agricultural movements such as the Granger movement and the Populist movement. Farmers were beginning to wonder about their condition and were making efforts to do something about it. During this period we had constantly decreasing man labor requirements on farms through the use of improved machinery. We had a separation of the people, in place, and also in time, for the earlier traditions of land as a place to live and make a living. In conflict with old traditions new ideas of land as a commodity, and land as a medium for speculation became a part of our rural culture. Farm people began to be confused concerning just what good farm policy should be. This period has been characterized by Dr. Carl C. Taylor as one of expansion, exploitation and speculation. It seems to me that those three characterizations describe our American agriculture of that period quite well. Dr. Taylor said he hoped that in the future our agriculture would become characterized by the terms conservation and security.

Now let us consider our modern rural culture just of this century and largely since the World War, perhaps I should say since the first World War. I think this modern period of American rural culture is characterized by the accentuation of some of the factors at work in the earlier periods and also by the occurrence of new elements in the situation. Land is not only considered as a commodity but even more so than before. We have the appearance of a landless laborer class many members of which have little hope of becoming farm owners. We have new types of farm organizations; farm labor unions, and along with them the Associated Farmers, have gained a foothold in quite a number of states. I assume that you are familiar with the Associated Farmers, which is a sort of farmer employer association to protect the large farmers from demands of farm laborers, as they put it. We find that most of the good land in the country was occupied by the turn of the century with very little land remaining to be settled, although we still have some today, for example, the land to be irrigated by the Grand Coulee Dam. We have a great increase in farm mortgage indebtedness. We have taxes higher than they were, and making a still larger cash requirement on farms. The modern period has certainly been characterized by irresponsible use of land. We have had erosion -- wind erosion and water erosion. We have had cutting of the forests in such a way that our resources have been gradually depleted. We have had overgrazing. In fact, during the last war we even plowed up vast acreages of grass land that never should have been plowed in order that the farmers might raise more wheat to win the war. We have had dire poverty in rural areas accompanied by "crop surpluses" and unemployment in cities. It has been indicated by Mordecai Ezekiel that if all of the people on farms and in cities had a very reasonable minimum diet and a very reasonable standard of clothing that our agricultural plant in this country would be taxed to capacity. Lack of buying power in the hands of a lot of our people, both rural and urban, has created this so-called surplus. Part of the farming has become still more highly commercialized alongside of subsistence farming. Can we have in a democracy over a long period of time two separate distinct classes of farmers from the standpoint of income and standard of living? The commercialized farmer has attained a comparatively high standard of living, but this high standard of living has been accompanied by great insecurity as evidenced by widespread farm foreclosures during the depression.

We have assumed a more or less steady increase in the total population of the country. Now we find that the population is increasing at a decreasing rate. This is of importance as we consider the agricultural situation from the long-time point of view. A net of two million of the six million people who migrated from cities to farms during the depression have stayed there. About a million rural youth are living on farms who normally would have migrated to the city. All together there are between three or four million more people on farms than we would have had if there had been no depression. We find that farm population has increased to the highest point on record with the one exception of the year 1910, and the population now is practically the same as the high point in 1910. We also have the prospect of a very greatly increased rural population of a productive age -- that is from the years 18 to 65 -- during the

next twenty years, unless we have a much greater migration of farmers to the city than we have had in the past. Rapid mechanization of farming with decreasing requirements for man-labor no doubt will continue to accompany this increase in farm population. Along with all of this, we have lost our foreign markets. Probably the biggest difficulty of all in our present situation is that we do not recognize the new elements in the situation, and our ideas that prevailed during the period of rapid expansion in agriculture are still governing our actions today in many ways when they do not still apply. Enough for general background and situation. Let's consider some of these problems a bit more specifically.

Land Use. It seems to me when we think of land use we should think of conserving the soil and in using the land for the greatest benefit for the largest number of people. The United States is the richest nation in the world today in natural resources. Our resources not only have been abundant, they also have been easy of development. We had a wonderful opportunity when the nation was first settled. The soil was rich but we have already lost heavily from the mis-use of soil. Wind and water erosion, plowing land that should not have been plowed, and overgrazing have all taken their toll. I presume you are already familiar with Russell Lord's Bulletin, "To Hold This Soil", Miscellaneous Publication #321. All who have not read this bulletin should do so.

Now, what are some of the reasons for this mis-use of land? I said a while ago that it began at a rather early date when we had such a great amount of new good land available that there was not the same incentive to take care of the land as there had been in Europe. I think one of the reasons for our mis-use of land is our system of land tenure, with frequent moving of farmers from one farm to the other. Farmers who move frequently do not have a long-time interest in the land. Conserving the soil for the benefit of someone else does not seem to be enough incentive to encourage some tenants to follow conservation practices. A lot of our farm people are poverty stricken and I believe that if a farm family is very poor and hungry today they are not going to be much concerned about saving for tomorrow. The level of income of a lot of families seems to be so low as to discourage a long-time view of the land. Land mis-use makes for poverty and poverty in turn makes for more land mis-use. I think another factor is ignorance of how to conserve the soil. The ancestors of our farmers knew how to conserve soil in Europe, but we have had a break in that element of rural culture. We have short-sighted landlords, many of whom own land as an investment and do not know much about farming. Some of them perhaps have only a short time interest in the land, buying it with the hope for a quick sale at a price higher than they paid. Another factor in land mis-use is our thinking as individualists that fee-simple title gives a person the right to do with the land as he pleases. Correct use of land is, of course, possible and easily obtainable if considered purely in a physical sense. Correct cropping systems combined with contour plowing, strip farming, and terracing would bring about correct land use rather easily, but to bring about correct land use - that is, **conservation of the soil** and the use of the land for the greatest benefit to the greatest number of people - we have to consider the social and economic setting and re-examine some of our ideas of land use. Dr. Hansen of the North Dakota Experiment Station a few days ago raised a question as to whether some of our attitudes toward land use were correct. These are the attitudes that he listed:

1. Man conquers nature.
2. Natural resources are inexhaustible.
3. What is good for the individual is good for society.
4. Man may do with land as he pleases.
5. Markets will expand indefinitely.

6. Free competition coordinates industry and agriculture.
7. The individual must make his own adjustments.
8. Tenancy is a stepping stone to ownership.

I think we will not take the time to discuss these points since the fallacies in some of them are quite obvious.

It seems to me that economic and social problems of great complexity are involved when we consider land use in terms of banishing poverty. The work of the FSA and in fact a large part of the work of the Department of Agriculture is in the direction of bringing about better land use if we interpret the term broadly enough to include alimination of poverty and to make it possible for the land to provide for and to be of benefit to the greatest number of people. I think we have to think of land use in terms of the welfare of the people.

Farm Mortgage Indebtedness. Farm mortgage indebtedness has been increasing. It seems to me that we have to consider that this increase is more or less a by-product of the high commercialization of farming and of our considering land as a commodity. Between 1910 and 1937 the farm mortgage indebtedness more than doubled. I will just read a few of the figures that I have:

Farm Mortgage Indebtedness in the United States:

1910 - 3½ billion dollars

1920 - 8 billion dollars

1928 - 9½ billion dollars

1937 - 7¼ billion dollars, the decrease being due mainly to foreclosures, but still remaining more than double the farm mortgage indebtedness in 1910.

Interest payments on farm mortgage indebtedness amounted to

\$200,000,000 in 1910 and by 1937 had increased to

\$400,000,000, thus doubling the cash requirements for interest payments on mortgage indebtedness.

We have had a gradual loss of ownership of land by farm operators for fifty years. The increase in tenancy shows the amount of total loss of ownership and the increase in mortgage indebtedness shows the amount of partial loss of ownership of equities. In 1880, twenty-five per cent of the farms were operated by tenants and today about forty two per cent of the farms are operated by tenants in the United States as a whole. We find extreme variations in different parts of the country. For example, in 1935 in Mississippi seventy per cent of farms were occupied by tenants; in Maine seven per cent; in Iowa fifty per cent, and in California twenty-two per cent. In California there are more farm laborers than owner operators and tenants combined.

In order to measure the gradual loss of ownership of farms by the people who till the soil, let's combine the increase in tenancy with the increase in farm mortgage indebtedness. We find that farm operators as a whole in 1880 had an equity in the farms that they tilled of sixty-two per cent. By 1935 they had an equity of only thirty-nine per cent. Instead of owning nearly two-thirds today they own

only one-third and that is a tremendous loss of equities in farms by those who till the soil. The loss and partial loss in ownership is very significant in considering agricultural problems today. While in the United States as a whole, the farmers who till the soil themselves have equity of thirty-nine per cent in the land, in the state of Iowa such farmers have an equity of only twenty-four per cent, in South Dakota twenty per cent, and in the Cotton Belt, from thirty per cent to forty per cent, which should be adjusted downward were we to make allowance for the sharecroppers.

Accompanying the increase in mortgage indebtedness are higher taxes, another cash requirement in addition to interest and principle payments. Taxes have been generally increasing for the last thirty years in the United States the increase being from

13 cents per acre in 1890 to

38 cents per acre in 1936

This shows almost a tripling in taxes from 1890 to 1936. The following index numbers showing taxes per \$100 of gross farm income for selected years reflect great variation of farm income:

1913	---	100
1918	---	70
1921	---	188
1925	---	140
1932	---	275
1934	---	165

Accompanying the increased mortgage indebtedness are changing land values and changing farm property values. From 1910 to 1920 the total of farm property values rose ninety per cent. From 1920 to 1930 they declined twenty-six per cent, and from 1930 to 1933, they declined below the 1910 level. The relation of farm mortgage indebtedness to rural poverty is quite apparent. In a highly commercialized agriculture, cash requirements for principal and interest payments on mortgages and taxes have tended to be more rigid than has gross farm income tending toward insecurity for farm owners and causing periods of widespread bankruptcy and loss of farms. With this situation, accompanied by high land values, it has become increasingly difficult for tenants to become owners and for one heir to buy out other heirs and become the full owner of a farm. Those who have succeeded in retaining farms during periods of stress or in acquiring farms during such periods have had to do it at the expense of standard of living. Standard of living and security to a certain extent seem to be competitive. To maintain a high standard of living, we often sacrifice security and to have the greatest amount of security we often make sacrifices in standard of living. It seems to me that agricultural policy which would discourage or eliminate speculation in land and which would give a tax preference and possibly an interest rate preference to the owner-operators might be desirable.

Since the final test of democracy will probably be its ability to provide opportunity to the greatest number of people to have security and enjoy a reasonable standard of living, agricultural policy which would tend to discourage concentration of large acreage in a few hands would give a greater portion of the farm population such opportunity. To maintain democracy in this country we must be concerned about furnishing opportunities to people to make a living

Because of the high mortgage indebtedness and the ownership of a large amount of farm equities in the cities, we have a vast migration of wealth from the rural sections to the cities, in the form of interest payments and actual equities. Another form of subsidy which cities receive from rural areas is the migration of a large portion of rural youth to the cities after the rural areas have paid for their education. It seems to me that sound policy might indicate some equalization of educational and health opportunities between states by Federal aid.

Farm Debt Adjustment activities are very significant and are accomplishing some good in this situation of high indebtedness although the FDA folks have to get in at the cure-end of the difficulty, rather than at the prevention end. We need to do all we can to prevent these difficulties. State statutes have been passed in thirty states since 1930 affecting mortgage indebtedness. Moratoria, extensions of redemption periods, and deficiency judgment legislation are examples. Legislation having to do with deficiency judgments has been passed in a majority of the states. This shows that the public is becoming more conscious than ever before of the problem of farm mortgage indebtedness and its effects.

It seems to me that in the same connection a great expansion of the tenant-purchase program would be desirable. We would have to recognize, however, that such an expansion would greatly increase the farm mortgage indebtedness since the borrowers in the TP program start with practically 100 per cent indebtedness. Through the TP program we are experimenting and demonstrating methods of having security along with a high mortgage indebtedness. The variable annual payment plan and emphasis on productive capacity of the farm as a measure of value are important as new ideas in considering this problem. Probably borrowers would have still greater security if in the TP program we could increase the period during which farmers could not completely pay for their farms beyond five years.

Government purchase of more good land would be desirable along with the purchase of poor land in order to control its use and prevent its further deterioration through improper farming, over-grazing and improper forest management. Government purchase of good land and the expansion of the Resettlement Projects program, or some similar program, would enable the government to provide opportunities to more people for security on the land. Continued emphasis by the FSA and others upon the improved leasing program should make for greater stability and security for tenants.

A very much higher percentage of farm tenants (including sharecroppers) than of owners are in the low income groups in agriculture. This shows that tenancy is very closely associated with rural poverty. Twenty-eight per cent of the farm families of the nation had gross farm incomes in 1929 below \$600. According to Dr. Conrad Taeuber, those families averaged \$375 gross farm income, of which \$180 was consumed on the farm. That leaves \$195 to be divided between the landlord and the tenant. That would leave almost a third of our farm families with only approximately \$100 in cash income during the year. Out of this amount they would pay the cash farm operating expenses first, and would have the remainder left for the purchase of food, clothing, education of the children, radios, etc., in fact for supporting our much-heralded American standard of living. Dr. O. E. Baker, of the Division of Farm Population and Rural Welfare of the BAE said recently in a publication (Misc. Pub. 266, USDA p. 5) that approximately twenty-five per cent of our farmers produced less than \$600 and compared them with European peasants in Northern Europe who produced more than \$1,000 on the average. Fifteen per cent of the farmers in the United States who produced less than \$400 approached the Chinese level of production according to Dr. Baker. We have at least one-third of our farm population producing less than the European, and one-sixth or one-seventh are on about the level of Chinese production which we have not considered very high. I would like to say just a word about farm laborers. Most of them appear to be considerably worse off than tenants. The condition of the transient laborers on the Pacific Coast is well known to this group. The fact that sharecroppers put on a demonstration in Southeast Missouri last winter as a protest against becoming farm laborers would indicate that the position of laborers

in that section of the country is not enviable. In fact they must be in pretty bad shape if even sharecroppers make big protest at becoming day laborers.

We are confronted with many difficult problems in attempting to bring about improvements in agriculture and rural life. Much more study as well as a realistic facing of facts is necessary. On the other hand enough is already known to furnish a basis for more action now. The Department of Agriculture has been reorganized during the past year with a view to becoming more effective in attacking these problems. Involved in this reorganization has been the placing of responsibility for general planning upon the Bureau of Agricultural Economics. Research activities will also be continued; in fact will be strengthened and reoriented in order to make the results of research more useful in planning. In the planning activity the Bureau will have the collaboration and the cooperation of all other agencies in the Department. It seems to me that there is a very great need for looking at the various problems in Agriculture as a whole and for pulling together the efforts to solve the different parts of the problem into one integrated unified program for the improvement of agriculture and rural life.

It seems to me that it should be helpful for those working on each segment of the rural problem to see their efforts more clearly in relation to the program as a whole. In the planning of a general program for agriculture and rural life it is essential that all available information and opinion be brought to bear on rural problems. The new state and local planning program is a device which brings to focus in state and county Land Use Planning Committees information supplied by farm men and women, by field representatives of the various agencies of the Department of Agriculture, by representatives of the Land Grant Colleges and the Agricultural Extension Service and by research workers in the Agricultural Experiment Stations and in the research divisions in the Department of Agriculture in Washington. It is of particular significance that the farm people themselves along with the "experts" will have an important part in the planning activities not only in meetings of the state and county Land Use Planning Committees, but also in the meetings in the rural communities which are probably the most important units in the whole planning process. The Farm Security Administration, particularly through the County RR and Home Supervisors, has a real opportunity to make a worthwhile contribution to the planning process. The county FSA staff members, all of whom are members of the county Land Use Planning Committees, if they live up to the full potentialities of their position as members of these committees, have the opportunity to make a great contribution by calling to the attention of the other members of the committees problems with which they deal in working with disadvantaged farm families. I feel sure that the land use planning effort, in reality a program of planning for the welfare of farm people, cannot succeed fully without adequate consideration being given to the problems of the people with whom you work. Full participation of the FSA in the state and local land use planning program should assure that whatever plans are developed for the improvement of agriculture are designed for the improvement in living standards and security for all farm families.

In my opinion there is very great need for the work of the Farm Security Administration in attacking agricultural problems today. The FSA has already accomplished much in a comparatively short time, but when we consider the magnitude of the problem the surface has hardly been scratched as yet. To me the rehabilitation process is one of combining different ingredients or using certain combinations of tools or devices in varying proportions for the varying needs of low-income farm families into individual family programs in such a way as to create new opportunities for these families to rehabilitate themselves. Some of the tools used are education in farm and home management, the community and cooperative services program (perhaps in the long run one of the most significant developments in the program), attention to health and medical care, farm debt adjustment activities, credit, and encouragement to discouraged families so they will have the will to strive again. This is much more than credit - yes, much more than "supervised credit". The word "rehabilitation" is the only term with a broad enough meaning to cover all of the things that you are doing. The Secretary, in his inspiring talk this morning, gave us a great deal of encouragement that we do have a real opportunity to accomplish a great deal in working with low-income farm families.

It seems to me that the FSA needs to be expanded, particularly in two ways:

1. In personnel so that it will be able to do more than it is now doing.
2. The FSA also needs some increase in authorizations which would permit it to engage in new activities. An example would be authority to purchase and develop good land in order to create opportunities for more people.

I heard a speaker the other day say that he considered the action agencies of the Department to be very conservative agencies. I thought of the FSA program and confess that I had never thought of it before in that light. The FSA is a conservative organization; in fact, it is an ultra-conservative organization. It is attempting to revive certain cultural forms from which farm people have been separated in time and place from an older and, in some respects, better rural culture. I wish that all of you could have heard the address that Dr. Alexander made in Mississippi recently, in which he pointed out the handicaps which many people in the South have because of this lack of tradition and the break from an old culture. Through the FSA, we are attempting to revive some elements of the old culture, and I will give a few examples. The FSA is encouraging the production of feed and food for home use on the farm; making the family more dependent upon the land and less on the marketplace. It is encouraging longer tenure on the land, a relationship between land and people that makes for soil conservation and development of a richer community life. It encourages ownership of land by persons who farm it. It encourages farm families to look on the land as a home as well as a business opportunity, and to plan for their future security on a farm as a permanent place of abode, i.e., as a place to "live and die". While encouraging the farm families to aspire to a reasonably high standard of living it also encourages the family to become security-minded. For these reasons it seems to me that the FSA is an ultra-conservative organization. I think those are desirable revivals from an older culture.

I also think that the FSA is a very liberal organization and that it must be a liberal organization. It must have the courage to face facts, to be realistic, and to make new approaches in attempting to solve the difficult and complex problems of poverty among rural people. I am glad that the FSA is both an ultra-conservative and very liberal organization because it may, through those different attitudes draw out some of the good from the past and initiate some new approaches and attacks on current problems and in that way make a big contribution toward the ultimate welfare of the farm population and not only of the farm population, but of the entire population of the nation. In this way, it can make a large contribution in helping preserve democracy in our nation, that worthwhile goal, which, the Secretary indicated in his talk this morning, might be considered as one of the major goals of the entire program of the Department.

REGIONAL SPECIALIZATION, TECHNOLOGICAL IMPROVEMENTS IN AGRICULTURE, AND COMPETITION BETWEEN COMMERCIAL FARMERS AND FAMILY-SIZED UNITS, AS RELATED TO RURAL POVERTY*

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By way of explaining why I am not talking upon the elaborately stated topic which appears on this program, let me tell you that Dr. Alexander met me in the hall a few days before Jim Maddox called me and asked me

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to make this speech. From what Will said I gathered that I was to discuss the development or evolution of our disadvantaged classes in American agriculture as a part of the history of the total development of our agriculture. I, therefore, started thinking about this topic, and having got my mind made up on what I want to say, I think I had better go ahead with my speech rather than the one that Jim has assigned me.

I should like to start with the fact that we do have this body of American rural citizens with whom you are working--a great mass of rural people--and we must reckon with them and the conditions under which they live and understand why and how they came into existence. We have been very slow in even recognizing that they are in existence.

I cannot predict what patterns of rural life we are going to have in the various regions of the United States in the future, and I would not dictate those patterns even if I could. I think, however, that I can tell you something about why we have the patterns of life we do have, can furthermore tell you that they will change in the future, and do not hesitate to assert that we can have something to do with that change if we will develop the intelligence and determination to do so.

The outline of my speech is pretty simple and I have set myself the task of answering four questions; namely, (1) Who are these people whom we call the disadvantaged group in agriculture and with whom the Farm Security Administration deals? (2) Why do we have these people, and how did they come to develop in a society that is as comparatively successful as ours is? (3) What should be done about them and for them? (4) What part does or should the Farm Security Administration play in their lives?

I should like to give the answer to the first question very quickly, chiefly because I have been repeating the things which I am going to say so often that my thoughts have almost become shibboleths. Furthermore, a great many of you have heard me say these same things before.

Well, the first and the most universal thing that I can say is that they are the people at the bottom, or on the lower rungs of our agricultural ladder. They may be people who are not yet quite true farmers, who are starting up the agricultural ladder but have not yet climbed very far. Or they may be people who have got stalled on the lower rungs of the agricultural ladder--that is, haven't been able to climb very high upon it. Or, more tragic yet, they may be people who have not even got up high enough to touch the lower rungs of the ladder, as is the case with many of our farm laborers. They are people on poor land; people who do not own land; or in any other way have a secure tenure on the land tenants, sharecroppers, laborers. They are not, however, merely poor people in the sense of "the poor" that we were taught about in our sociology classes. That is, they are not paupers, ne'er-do-wells, or some other patented class of humanity that was destined by the Almighty or someone else to be forever poor. Nevertheless, many of them are not newly poor. Many of them are not products of the depression, and we have not properly oriented our thinking concerning them unless we understand that they have for sometime been a part of our agricultural scene.

The shortest and most concise picture I can give you of who these people are and how many of them there are in American rural life is to read you eight statements from our recently issued bulletin on Disadvantaged Classes in American Agriculture. Here they are:

"1. There were, in the United States in 1929, approximately 1,700,000 farms which yielded a gross farm income of less than \$600, based on value of products sold, traded, or used; a few more than 900,000 farms that yielded less than \$400 income; and almost 400,000 farms that yielded less than \$250. On these farms yielding less than \$600 income, approximately 7,700,000 men, women, and children lived, whose lives were disadvantaged because of the lack of purchasing power.

"2. There were among the gainfully employed persons in agriculture in 1930, approximately 2,700,000 hired farm laborers. The farm laborer is on the bottom rung of the so-called agricultural ladder and many farm laborers, apparently an increasing number, are destined never to rise above farm laborer status.

"3. There were in 1935, 2,865,000 tenant families on American farms, the total members of which constitute a population of approximately 13,000,000 people. More than 700,000 were share-croppers, thus having status little if any above that of hired laborers.

"4. There are more than a half-million farms in the United States on land that is so poor that it will literally starve the families living on it if they continue to try to make a living by farming it.

"5. Approximately 3,000,000 persons move from farms to towns and cities or from towns and cities to farms each year. Over 1,000,000 farm families move from one farm to another each year. There is thus a tremendous mobility among the farm families of the Nation, indicating the constant attempts of hundreds of thousands of farm families to discover economic opportunities greater than those they have at present.

"6. During the depression, at least $3\frac{1}{2}$ million, or more than 1 out of every 4, rural families in the United States had received public assistance at some time.

"7. There are 240 counties in the United States in which 3 or more disadvantaging factors or conditions described in this report prevail and 769 counties where 2 or more of these factors or conditions prevail.

"8. It is a conservative estimate that one-third of the farm families of the Nation are living on standards of living so low as to make them slum families."

I shall not take any more time on this first point. Here these people are, and most of them were here and in these conditions before the depression hit, so let's pass on to our second question.

How did we get this way in a country which practically all other nations look at with envious eyes? I suppose the people of most of the other countries of the world just couldn't believe that we have this great mass of disadvantaged farm families. Well, I will give my answers to this second question very rapidly.

When we started settling this country, that is, when we started settling it very rapidly about 1790 or 1800, we did the job so quickly that many people located in places which, in the light of what we know today, we would call poor places to live. The land resources of the nation were so utterly outstanding and the land-hungry of the earth were coming to America in such great numbers that land by the millions of acres was occupied without due consideration for its future use. As a matter of fact, we knew very little about the basic fertility of soils and practically nothing about erosion. Land was simply land to the land-hungry of the earth. Furthermore, if the area occupied proved not to be able to support a family, there was plenty more land farther west and the family could and did move on.

In other places timber resources, sometimes supplemented by mineral and ceramic resources, brought tides of population into areas to exploit them, and when the resources were exhausted the population remained in the areas and attempted to live by farming land, a great deal of which should never have been placed under the plow. Something like 500,000 farm families live on what we might call the "poor lands of the nation" -- lands which never should have been occupied for the purpose of farming and lands the natural resources of which have been largely exhausted.

The 100 to 150 years of the settlement of the lands of the nation was an epoch in the history of the world, but almost more important than that was the fact that it wrote into the thinking of our people a set of creeds which are to a considerable extent handicaps to our future development. Land was so plentiful, people so few, and success so easy that for something like five generations we expanded settlement and enterprises, exploited natural resources, and speculated on prospects so successfully that we came to believe that was the normal way of life. No one believed that our good lands would all be occupied within a century; no one seemed to question the right of the individual to wastefully exploit natural resources--some of them irreplaceable; and it was so easy to take a chance and win that we became a nation of speculators. Our land opportunities were so great in this country that the industrial revolution, the advent of which in England was practically coincident with the beginning of our march westward, did not enter the United States full tide until our westward expansion was practically complete. Industrial development, of course, was going on all during this 100 years, but it could not compete successfully for labor, capital, or attention with the land opportunities. New England manufacturers in the very early days of our expansion cried to the skies because the invitation of the lands to the west were robbing them of their cheap labor. Many eastern towns and villages in 1820 had less population than they had in 1790. We literally tore to pieces hundreds of communities which it had taken 150 years to build when we started this westward movement, and for almost the first time in the history of the world developed an agricultural civilization in which people lived on isolated farmsteads rather than in villages. From five to seven generations of the process of pioneering couldn't go on without developing a body of philosophies or a set of creeds concerning it.

I happen to be the ninth in a particular line of Taylors in this country. Seven out of these nine generations have been what Hamlin Garland called "sons of the middle border" my ancestors moved from eastern Virginia to central Virginia, to western Virginia, to Kentucky, to Indiana--almost one move per generation--until my father landed in eastern Iowa as a part of this great tide of population moving westward. He later moved to western Iowa, one of my brothers then moved on to Nebraska, and his oldest son on into the State of Washington. In my family, as in thousands of others, in table talk, conversations with the neighbors, school and church meetings, the successful ways of life were automatically discussed. These were the ways of expansion, exploitation, and speculation.

Historically this period of pioneering came to an end 20 or 30 years before we were conscious of its decline. Because of this fact, people pushed farther west into lands where they should not have gone and where they are now in trouble because of drouths and dust storms.

A lot of people in the Appalachian and Ozark mountains went into these areas when techniques of agriculture and the modes and methods of making a living were very different from what they are today. They were only half-way farmers and the other half way hunters and fishermen. They lived to a large degree by direct appropriation of the natural resources of the area. The first tide of population was followed by another which came to work the timber resources, and still another which came to work the mineral and ceramic resources. Today the descendants of all three of these tides are in these areas and have some of the highest birth rates of the nation. They also constitute some of the rural problem areas of the nation.

In broad terms I would say that there are two basic causes for the prevalence of the disadvantaged farmers in American agriculture. The first I have just described as that of having settled areas the natural resources of which were not capable of sustaining a permanent settled economy. The other consisted of changes in agriculture itself. Before the days of pioneering and to a considerable extent during the early days of pioneering, agriculture was far more self-sufficing than it is today. I asked my father when he was 85 years of age "What did your folks buy when you were a little kid?" His answer was that they didn't buy anything. I asked him "What did they sell?" His answer was, "Well, they didn't sell much of anything." You will remember that his folks were my

grandparents and were, therefore, the 7th generation of Taylors and the 5th generation of Taylors who moved West but they were still living a highly self sufficient sort of life. Between that day and this we have moved from an agriculture, the measure of the success of which was the successful production and preservation of an adequate food, clothing, and shelter supply for a year or a little more at a time, to a day when success in agriculture is measured by the capacity to pay debts on comparatively large capital investments and operate a successful business enterprise in terms of net profits over and above fairly large operating costs. In other words, during the period of pioneering we made a transition from a relatively self sufficient to a relatively commercialized agriculture.

The second cause, changes in agriculture, was of almost equal importance with the one which I have just described. When my father was a boy, farming was still largely hoe farming on the frontier, and the frontier in those days was in Indiana and eastern Illinois. Today farming is tractor and combine farming in a great many places and is mechanized farming for half or more of the farm families of the nation. The transition took place in the following order: From hoe farming, in which power was furnished almost altogether by human beings, to oxen and horses, to motor power farming. In this transition it became possible, feasible, and seemingly even necessary to enlarge the acreage per farm unit. In this transition cost of operation mounted, income had to be larger, credit became a larger part of the operation, and the farmer made the transition from an individual whose first concern was that of exploitation on one hand and husbandry on the other to an individual who had to be a successful machine operator and business man.

In this process of transition there was a great sifting of farm families. Some, for various reasons, came to the top and others fell to the bottom, with the result that we today more than ever before have farm people distributed more definitely on the rungs of the agricultural ladder and more of them stalled on the lower rungs than we had in the early days of our rural life.

Of course, there are all sorts of answers as to why some people sifted to the bottom and became what we today are calling the disadvantaged families in American agriculture. The laissez faire answer is that these people are never do wells and would not be at the bottom of the ladder if there wasn't something wrong with them; that it is true in every society of any maturity, was true even in the early days of our society, but that fundamentally opportunities and aspirations obliterated the differences between people for the time being; now the incompetents have begun to show up. It is this same school of thought which promotes the idea that when the depression came it was a severe testing time and those who couldn't stand the gaff tumbled down the ladder. As a sociologist I would not, of course, deny that in every walk of life some people are more competent than others, but I agree with the Secretary of Agriculture, who is a geneticist in his own right, when he says that 100 children from the lowest rung families will average up genetically with 100 children of the highest ranking families. Furthermore, I would call your attention to the fact that most of the statistics quoted earlier in this speech were statistics for 1929 before the depression hit. If it be true, and I think it is, that the most profound truth about human beings is their similarities and not their differences, then we are driven to look for the origin of those who have not fared so well in agriculture to a set of historical causes, and certainly no one would argue that this great mass of disadvantaged people have suddenly appeared on our agricultural scene or that they have come into being without adequate cause. I have named most of those causes--poor lands, exhausted natural resources, inherited tenancy and absentee ownership and I would add to these an inadequate set of social institutions, especially institutions of health and education, for the families who have reared the major portion of the children. I add this last cause because high birth rates seem to go with the lack of economic and social opportunity, and with increasing population the lack of opportunity aggravated by increasing population has created the rural problem areas of the nation.

My next question was what can or should we do about this particular thing? Well, I can't give you patented answers, or at least I won't, for if there is one thing of which I am dead sure it is that patented blueprints are as often wrong as they are right. I do believe that no matter how rapidly society changes, and certainly there has never been a time when it has changed as rapidly as in the recent past, it never loses completely the stability which comes from the old ways of doing things. In many instances these disadvantaged farm families are at a disadvantage chiefly because all government and other aid programs have been gauged to serve the new ways of life rather than to buttress the old ways of life. A striking example is the elaborate amount of governmental assistance that is furnished to the upper half of farm families, chiefly those in commercial production, in comparison to the amount that is given to the lower half, most of whom are relatively non-commercial farmers.

When we face the question of what should be done, the extreme radical, of course, would say start a revolution, upset the whole thing. They would go further and say that that is exactly what we are doing. I do not believe it. We are not in a revolution in this country in the sense that Mexico or Russia has been in revolution during the past 25 years. In a real revolution people give up their old ways and belief in the great fundamentals of society as it has been. This has not happened in this country and one of our chief problems is to keep it from happening. We have had tremendous change but we have not gone that far. We can still have tremendous change and not go that far if we will open our eyes to the problems of those who create the social problem areas of the nation and find answers to the questions which the people in these problem areas raise.

When a society or a group of people find themselves in as much confusion about their problems as we are in confusion about this one, they generally meet the thing by one of three alternatives. Sometimes, though not often, they turn back to the ways of their fathers and grandfathers. This happened during the period of the Dark Ages to a considerable extent, but it seldom happens in history and it seldom gets a satisfactory answer to the problem. Another alternative is that some new and outstanding leader may come along, a Madero in Mexico or a Lenin in Russia, with an almost completely new blueprint which sounds logical to the people who are in trouble. Great masses of the people say, "That looks all right to us. Let's do it." This did happen in Russia and did happen in Mexico, but wherever it happens there is revolution. A third alternative is when someone or a great many people say things are not today like they were in the past, but neither are they totally different. We can't therefore, turn completely to the past ways of doing things, neither ought we to throw away all of our present ways of doing things. Let us make a pragmatic approach to this situation, look at our new problems, find out which of the old ways will help and what new ways or new approaches are needed. It is this third approach or alternative that democratic societies always take, and it is this one that we should take. It is not only the way to do it democratically but it is the way to save democracy.

We have approached near enough to a revolution in this country that there are a great number of leaders who believe we ought to roll up our sleeves and change everything. I want to say something on the other side of this issue. I do not have faith in the complete rationalization of society. What I mean is I don't have faith that we will solve all the problems of our economic and social world by allotting to each person or each group of persons a given division of labor, let them produce their goods or services with the maximum efficiency, and then through a controlled distribution of goods and services guarantee equity to all. I don't think we have either the intelligence or the courage to so completely organize our economic and social capacities. When I say I don't believe we have the intelligence, I mean that by such a regimentation of personalities and their efforts we would rob our society of some of the most creative contributions which individuals now make simply because they are not assigned by some higher power to do just one thing and to learn to do it as expertly as possible. When I say we do not have the courage I mean that in order to guarantee economic and social equity and justice in the distribution of goods and services we would require a control and regimentation which our people would not

accept and which we would not have the nerve to ask them to accept. Furthermore, I would not have too much faith that we were right in the complete alignments of peoples and groups and services to believe that it would work perfectly. In other words, I think that the people who recommend this way of going at things are the most utopian of any of our leaders, they are just as utopian as the people who want us to turn back the pages of history and follow the methods of our grandfathers.

I believe in the middle road, not because I am a compromiser but because I think that the middle road is the one that democracy always takes and, in fact, the one that all civilizations take. They may take a shot at one of the side roads but circumstances sooner or later drive them back into the middle way. If, therefore, I were compelled to lay down the outline of a program, here's about the way I would start. I would say that every individual, certainly every family, that is physically and mentally normal should have adequate food, shelter, clothing, and health as the physical necessities of life, and that there should be made available to them as cultural opportunities the right to education, religion, recreation, and community life. Rather than starting with some utopian scheme of rationalization I would start where these people are, in the communities where they live and on the farms where they work, and not knowing how and not believing that anyone else knows how to build a completely rationalized society. My first step in their program of improvement would be to put the maximum of self sufficiency into their farm programs. If this first step were taken right straight across the country with the disadvantaged farm families, I would not be surprised to find out that 50 percent of the destiny of these disadvantaged people rests in their own hands. The other 50 percent would be involved in the problems of the market equation and the social institutions and services furnished by government. Of course, I do not know whether the percent should be 50 and 50 or some other amounts. I believe I do know, however, that the first approach to the problem of the disadvantaged classes in American agriculture which is immediately applicable on one farm after the other is production for home use. I have tested this out with hundreds of farm families and farm leaders in the past five years and in not one single instance have I received a refutation of the idea. It is only the people at the top, mostly economists, who figure programs out in arm chairs behind desks who refuse to admit that this is the first step.

Now don't overlook the fact that I am not saying this is the complete answer. Few farm families can and no farm family should be required to build a wall around its farm and live solely upon the things they can produce there. They have a right to buy from the market those things which give them at least a minimum modern standard of living, and if they are going to buy from the market they must sell to the market. We must, therefore, have equity in the market place for those who produce the primary wealth upon which our society exists, and we must have equity in the distribution of social services health, education, welfare, recreation supported by tax monies or by contributions from large groups. Social institutions such as schools, churches, libraries, health centers, and playgrounds must be furnished by society either as voluntary gifts or by government expenditures. In some cases to guarantee these contributions laws must be passed and government administrations set up. These things should come and will come. The first step in bringing them about is to make a general public not only aware of the existence of this great mass of disadvantaged people but intelligent concerning the historic and complex causes of their conditions.

Well, I could go on for a long way in analyzing these causes, but I will turn to my next question. What can the Farm Security Administration do for and with these people? It is seldom indeed that I or any one else find myself in a position where I can so whole-heartedly say that you should do just about what you are doing but do more of it. The rural rehabilitation program is doing exactly the thing I mentioned concerning the so called "live-at-home" type of farming. I sometimes think they are doing a more magnificent job, particularly a more fundamental job, than they themselves know. I have lived in the South for the past 25 years and heard live-at-home farming preached during that whole period of time. During

that period some progress was made but it was not until the Farm Security Administration began writing live at home programs into the farm and home plans of one farm family after the other that this program began to march. It is no longer merely a shibboleth. It is being built into the real fabric of the lives of hundreds of thousands of farm families. The gardens are in the ground, the garden products are being placed in cans or other containers, the people are producing fruits, berries, milk, eggs, and other consumable products and using them at home one year after the other. The program has gone far enough that it has become a religion with these people. It is a part of their conviction and, therefore, becoming an accepted way of doing things. In the South at least you are literally remaking rural civilization on this one front.

You are also doing something about helping families to get out of areas where the natural resources will not support them. Some way must be found by which you can do more of this. The resettlement phase of your program came into existence because of the accumulated knowledge that people were living on lands that were starving them to death. We did not start the resettlement program in this nation in order to build French villages or any other patented type of community but in order to more effectively reorient a section of the agricultural population to the basic agricultural natural resources of the nation. We must come back to this program and will come back to it when the public and Congress become sufficiently enlightened on the causes of the distress of the 500,000 families who live on the poor lands of the nation.

Two other elements of your program are shooting straight at the bull's eye also. I won't take more than enough time to mention them. The Tenant Purchase Program is attempting to boost some of these families up the agricultural ladder toward ownership. The Farm Debt Adjustment Program is attempting to unburden thousands of other farm families who find themselves in an impossible debt situation because of influences far beyond their control.

Now that I have paid you compliments, not for the sake of passing out bouquets, but because I definitely believe just what I have said, I want to preach at you just a little. You are a very young organization but you have already begun to institutionalize your program and your thinking about your task. Some of you are so busy carrying out this fine program that you are measuring its success by the extent to which the blueprints with which you started are working. My plea is that you keep your eyes upon the people whom you are to serve--this one third of the farm population which we call disadvantaged--and not upon procedures. You can tell those of us who work in Washington far more than we can tell you. You are out where these people live.

My second advice is don't drive yourselves beyond your capacities, for two reasons, first, because you can't do this job alone, and second and more important, because you can save a lot of time and energy if you will stop and think once in a while. When I say you can't do this job alone what I mean is that the greatest potential power for solving these problems resides in the people themselves. This job of rehabilitation is an educational job, not a money collecting job. The greatest fundamental in your program is what you call supervision, but which, of course, we all want to call education, and your program would be perfect if you didn't have to lend a family a penny much less make them grants. Now I know you do have to lend them some money in order to even get started on the program which I myself recommend. Some of them can't even start in live-at-home farming because they don't have chickens and milk cows or even tools. Some of them have been hit with catastrophe and simply must be given grants but if the first step in this program and the first step in the rehabilitation of rural America is this live at home program, then it is also true that most of these people are going to lift themselves chiefly by being taught how to tug successfully on their own boot straps. Your job is to teach them and inspire them to do this. It is to be done not only by teaching them how to grow and preserve their food supplies but how to improve their homes, their clothing, and even their land by things which

they themselves can do with hammers and saws and needles and plows. They can lift the cultural side of their lives tremendously by learning health, by creating art and recreation, and by introducing in every way the highest degree of self-sufficiency into their lives. By so doing they become not only self sufficient but they become creative persons, the sort of persons out of whom and only out of whom a democracy can be built.

I am so deeply convinced of these necessities and I am so deeply convinced that your organization is on the right road that I myself almost become utopian when I get to talking about what you can do. But I don't want to be utopian, I just want to make my contribution to your thinking concerning your own task and concerning this great mass of people. I guess maybe I have come as near doing that as I can, and so might just as well stop as abruptly as I started.

September 18, 1939

Dr. Frank Lorimer

Subject: The Relationship of Present and Prospective Population Trends to the Problem of Rural Poverty.

Our theme is the relation of people to economic opportunity. Before discussing this subject, I will make two very brief observations about the trend of the total population. We hear a great deal about the slowing down of population growth, and sometimes it is implied that already we have a declining population. It is probable that we are headed toward a cessation of population growth, but according to all indications the nation will continue to grow in numbers for thirty years, more or less. Eventually we must meet the problem, which already faces many of the European nations, that of establishing social conditions which make for population maintenance, but this is not a very pressing problem at the present time.

Another observation at this point relates to the basis of our American prosperity. We usually boast, without hesitation, that this is due to some inherent principle in our American democratic system, or the superior energy of our business men and farmers. I suspect that the fact that we have five to ten times as much land and other natural resources per person to play with as the people of other nations has something to do with our ability to make more money and ride around in automobiles. In Germany, in the middle of the last decade, the proportion of workers on farms was about the same as in this country, but we had seven times as much land per person. Our low ratio of population to resources has been a basic factor in American prosperity. Our population is tending toward stabilization so we will continue to have this favorable ratio in the future.

Let us now consider changes that have been taking place in the relation of people to economic opportunity. Obviously this relationship is affected both by changes in economic opportunities in different areas and by changes in the number of persons in different situations. The population changes may come about either through redistribution of population by migration, or through redistribution of population by differential rates of natural increase. It is important to emphasize the second of these processes, because it is often neglected.

We are all aware of the long time trend in the relation of agriculture to other types of economic activity. As levels of living rise, due to technological advances and other factors, families spend more for food but they also spend a smaller proportion of their total available cash for food. For

instance, referring to data for Chicago, families with incomes of \$2,500 to \$3,000 spend almost twice as much for food as families with incomes of \$750 to \$1,000, but in the former instance only 32 percent of all expenditures goes for food, whereas food accounts for 40% of all expenditure at the lower income level. A similar relationship is found with regard to size of the family. The childless couple spends much more for food per food cost-unit at given income levels, and thus enjoys a more liberal diet than the family with 3 or 4 children; but the family with 3 or 4 children spends a proportionately greater amount for food at given income levels than the childless couple. Thus rising levels of living and declining size of family in the urban population mean that a smaller proportion of total American expenditure goes into food.

A related change, going on at the same time, is even more important in effecting the place of the farmer in our economy. Along with technological advances and more complex distribution processes, a smaller proportion of expenditure for food is available as income for the farmer. According to an analysis of data for 58 foods by the Bureau of Agricultural Economics, only 40 percent of the expenditures for food by consumers in 1938 went to farmers toward their gross income. Only twenty years ago, the corresponding proportion was 50 percent, and earlier it was, of course, much higher. Now only 2/5 of the money spent for food goes to farmers and, at the same time, an increased proportion of the farmers' gross income must be paid out for farm machinery and credit and paid out in other ways to non farm enterprises. I have not any estimate of the net effect of this, but certainly less than 1/3, perhaps less than 1/4 of all money paid for food by consumers is available to farmers for their own family living. The rest goes to the factories that make farm machinery, to the plants that process farm products, to the stores that distribute goods and collect a profit, to the creditors, and to various enterprises that cooperate in the supply of food products to the consumer.

Now I think that it is important to work on attempts to short-cut those relations and to increase the economic role of the farmer in serving the consumer; but if we are realistic, we must also recognize that a large portion of this deviation of funds to other sources is technological in its basis and is a part of our whole economy. This means, of course, that there has been a relative decrease in the opportunity for economic productivity on farms relative to economic opportunity in other spheres of American life.

Migration is commonly regarded as the primary means whereby adjustment to such changes in economic opportunity is effected. Large-scale, unguided migration, as in the twenties, does represent a real mechanism of economic adjustment, but this tends to be only partially effective, and it involves serious hazards to individuals and communities. The movement from agriculture through migration represents a necessary, but very imperfect process of economic adjustment.

Fifty years ago, 2/5ths of all workers in the country were engaged in agriculture; in 1930 only 1/5th of the workers were so engaged. The transfer at first was largely to manufacturing and mechanical industries but, due to great increase in productivity per industrial worker, the proportion of all workers in manufacturing and mechanical industries actually decreased between 1920 and 1930, and has continued to decrease still more rapidly during the depression. The greatest occupational absorption has occurred in the miscellaneous group of service, trade and technical activities, so that by 1930 transportation, trade, and direct services absorbed 47 percent of the gainful workers in the United States. Migratory movements have been bound up with these occupational shifts.

It is important to recognize that the movement from farms has supplied only a partial adjustment to changes in economic opportunity. It was not so great as it should have been if we had had a well organized economy, which utilized effectively all the technological possibilities of our society, and if there had been complete mobility. The partial character of the adjustment is indicated in economic

terms by the fact that the farm incomes still remain so low. The average farm worker in the country gets only half as much or less income as the average non farm worker. Furthermore, one half of all the farms in the country produced only 11 percent of the farm products sold or traded and only 44 percent of the farm goods consumed at home. The Secretary referred this morning to the fact that there were 2,000,000 farm workers and their families who were on lands that could not possibly support a decent level of living, or at least a level of living which would seem satisfactory to most Americans; but if these 2,000,000 farm workers from these areas of limited opportunity were transferred into farm areas of higher productivity, the effect would be a further scaling down of the economy and a decline in the average level of living of farmers in other areas.

Some may disagree strongly with the thesis that in preceding decades the movement from farms has been insufficient to establish a sound economic balance in American life. If so, I hope they will take issue frankly in the discussion that follows. I would like to point out a few reasons why it seems to me that migration was only partial in the adjustment process. The first reason is social: the considerations of lag, inertia, and the difficulties affecting migration. It is easier for workers to stay where they are. They incur risks in moving. Furthermore, in many of the poorest areas conditions of life are depressing so that there is not the freedom and effectiveness in making adjustments. This factor of inertia tends to keep people in poor areas and situations of limited opportunity.

Secondly, there is the force of differential natural increase which generally works in a diametrically opposite direction to the force of migration. It tends to increase population in areas of limited opportunity much more rapidly than in areas of larger opportunity. A third factor that has been particularly important in the depression is the fact that nobody "fires" farm owners. They don't get discharged. Anybody who is out of a job can get a little piece of land to work and live on. Farming is different from organized employment; it is always available to any worker with initiative, and he does not necessarily have to have a great deal of initiative. Farming affords an ever free, though often limited opportunity. A cow walking down a road may turn away from an irrigated pasture if there is a wire around that irrigated pasture so that she gets a shock, and turn instead to an arid area and take what little grass she can get from under the sage brush. Thus agricultural work always offers at least an opportunity for retreat. This door cannot be closed by vote of any board of directors, or the action of any employer.

I want to come back to a point in which I am particularly interested, namely, the relation of differential natural increase to migration. The point can perhaps be best illustrated by comparing two geographical sections: (1) three northern New England States, Maine, New Hampshire, and Vermont, and (2) three southern States, North Carolina, South Carolina, and Georgia. I think it is fair to say that both of these areas during the last 50 years have been areas of limited opportunity. They have been areas in which there has not been great expansion of economic opportunity. Taking the 1930 statistics on place of birth in relation to place of residence for these areas, we may compare the number of the people born in these states who were living elsewhere with the number born elsewhere who were living in these states. The difference gives a measure of the net effect of migration in and out of these areas. This comparison shows a net residual out migration of 15 percent for the three southeastern states in 1930, in comparison with a net residual out migration of only 5 percent from the northern New England States. But in spite of the somewhat heavier net out migration from the southern area, the population in these States practically doubled during the last half century (with an increase of 92 percent), whereas the population of the three northern states increased only 22 percent, less than 1/4. The explanation, of course, is found in the differences in birth rates between these areas. New England was the area in which family limitation first developed in the United States - beginning in the early part of the 19th century. Fertility had reached a low level in this region by 1880, and has not changed a great deal since that time, whereas birth rates have remained extremely high in the rural South. Thus, in the

decade from 1900 to 1910, the crude rate of natural increase was 5 percent per decade in northern New England and 24 percent per decade in the Carolinas and Georgia. These rates would correspond to increases during a fifty year period of 58 percent in northeast New England and 192 percent in the southeastern States if there had been no out migration. The out migration from the southern States was as we have seen, fairly heavy, but still not sufficient to offset the differential natural increase and restore economic equilibrium. A similar situation was characterized and still characterizes the farm population of the United States as a whole

The adverse influence of differential natural increase on the distribution of population in relation to economic opportunity can be easily seen by studying maps showing reproduction rates by counties (such as that presented in The Problems of a Changing Population by the National Resources Committee) with maps showing distribution of counties by plane of living or average farm incomes. The effects of this adverse force are most intense in some of the more isolated areas of limited opportunity, as in the Southern Appalachians, and in areas occupied by old Spanish American families and Indians in the Southwest

Much may be said for the cultural values of a true peasant population. But if we want a stable peasantry, one of the vital conditions is a lower rate of natural increase; because the present high rate of increase characteristic of low income areas in the United States does not make for stability. The reproduction ratio of the French peasant is very little different from that of the urban in France. In spite of the practice of dividing the land of a father among all his sons in France, a large portion of the native peasant population can stay on the land, because there is no pressure of rapid increase to force them off. This makes for a stability which is impossible in many parts of the United States.

Of course, a high natural increase can be to some extent offset by migration, but I want to emphasize that migration out is a costly process; it is a costly way of correcting a constant tendency toward unbalance. In the first place, this process leaves all the expenses of the nurture and education of those who will migrate when they reach productive ages to be paid for by the areas of origin. Thus the farm population of the nation has 3/10ths of the children and it has to educate them out of 1/10th of the cash income of the nation. Furthermore many of those who move away retain property claims or receive inheritances. The property claims probably outbalance any payments sent by absent members to families who remain on the farm.

In the second place, the individuals who migrate from low income areas face a very serious problem of adjustment, particularly in the case of those who come from areas where the tempo of life is slow. They are not used to handling machinery; they are not used to handling much money. They haven't had much opportunity for intellectual stimulation as shown by the results of mental measurements. They lack good educational backgrounds. Then many of them must move into areas characterized by rapid cultural and social change. There have been a few studies on this matter. A study in Cincinnati however, shows that a very great number of these people are disadvantaged in the types of houses they live in, in the occupations they pursue, and in their incomes. A statistical study in New York suggests that frequency of mental disease may be more than twice as high for those born outside but living in that State, as for the native born population of New York. Possibly there is some selective factor here; or it may well be that the strain of city life breaks down the individual reared in a radically different environment who might not otherwise succumb to the same mental strain. In any case forced migration is a costly process for many families. A farm is a fine place to grow up. I think it might be a very fine thing for all boys to get their start on a farm, if that farm were in close cultural contact with the areas where they would later settle, and offered equal physical and intellectual advantages. But if they are brought up in a poor area where their background is very

limited, the transition to more progressive communities may be a difficult task. The effect of shifting and hustling about is not very satisfactory. It certainly does not make for very good land use and sound soil conservation practices. In other words, I regard large-scale migration as a sort of necessary evil in our present situation, and I hope that conditions may be established in this country which will mitigate some of the forces now responsible for this situation, and establish in their place conditions making for greater stability and security.

A recent WPA Monograph, Rural Migration in the United States, by Lively and Taeuber, shows that among rural areas, the amount of out-migration is often quite as heavy from the most prosperous as from very poor areas. The relation of migration to levels of living is much less direct than is often supposed. In advanced farming areas there is less pressure toward migration, but migration is less difficult. The children have the education which benefits them for industrial or commercial life. They have encountered greater outside contacts. They have a greater sense of freedom. They have a familiarity with the operation of machinery. In the unmechanized and impoverished areas there is a greater pressure, it is true, but the individual is held more by a lag. He is less in contact with outside operations. Lively and Taeuber also show that although the counties with the highest fertility lost a somewhat larger proportion of their rural population by migration during the preceding decade, this loss was not sufficient to offset the high natural increase.

During the depression this crude adjustment process, ineffective as it was, was definitely slowed up. Large increases in farm population resulted in some areas of very meagre opportunity, such as cut-over sections of the Great Lakes, the Southern Appalachians, and the Upper Rio Grande Valley. But otherwise the greatest increases in so called "farm population" during the first half of the 30s are found in places adjacent to urban centers or in the vicinity of mining or industrial operations. During the last four or five years there has been again a trend of migration to cities but of only one-half the force of the migration of the 20s, which was perhaps even then inadequate.

It is essential that the objectives of the Farm Security program be effectively related to basic population trends and other economic and social conditions. I take it, in the main, we want to preserve Democracy; we want to develop American farm life. We want to place greater emphasis on farming as a way of life, but on the condition that choice of this way of life is truly voluntary. I do not think that people who stay in farming because they are afraid to try something else will make the greatest contribution to rural life. On the other hand people who feel that they could perhaps get a little more money doing something else but still want to stay on the farm because there is something about the rural community they like - these are the people who will contribute to the development of farming institutions. They must expect a level of living similar to that enjoyed by people in other communities, though they may not need quite as much money as people in the city. Otherwise, among free American people, listening to the radio, looking at maps, the decision to seek or continue rural life will be associated with a sense of defeat and depression. The Farm Security Administration is directed toward the progress and security of farm families, who make up a very important part of the nation. It is important that in carrying through this program, there should be clear recognition of the danger of freezing people in areas of stagnant opportunity particularly if these are also areas of high natural increase. In a period of depression, large-scale migration from farms could only result in more widespread misery. But we all hope that we are going to have sense enough to develop an economy that will work in the United States. Let me suggest four possible objectives, in line with the preceding discussion.

(1) Development of rural institutions, of rural social values, and of farming as a way of life that will hold ambitious and well qualified young people in rural life. The effective development of rural institutions with the financial support of the whole Nation is, incidentally, one of the soundest ways

of increasing the economic assets of rural communities. Money spent on teachers, nurses, and other service occupations in these areas increases their welfare and their wealth.

(2) The acceleration of the limitation of families, particularly in poor rural areas. This is very largely a matter of raising the standards of living. The previous speaker said that when people are just too poor they do not have much incentive to save. It is equally true that people in such condition do not have much incentive to limit the size of the family. Raising standards of living is fundamental in the extension of family limitation practices, and I think such extension is one of the basic requirements of a balanced economy and progressive social institutions in rural America.

(3) The effective coordination of farming and other economic activities, especially in farming areas adjacent to mining, industrial, and commercial centers. Recognizing the strong tendency toward the association of farming with other activities, much attention should be directed to the development of institutions and practices that will direct this tendency in sound, stable, and progressive ways.

(4) The educational values of county committee work, the democratic development of community institutions, and the increasing participation of American people in working out sound economic adjustments. We must all learn to recognize our mutual dependence, and to cooperate in planning for a sound national economy which is the essential condition of real progress in any particular area or any particular segment of our national life.

September 19, 1939

Theodore J. Kreps

Subject: Our Search for Economic Freedom.

Upon the topic of "Our Search for Economic Freedom" I am going to develop two points. First, I am going to give in altogether too brief compass an audit of the amount of economic freedom which we now possess. Secondly, I propose to indicate the frame of reference within which I feel relatively sure not only can be found an important explanation of the restricted amount of economic freedom which we now have but also the more useful remedial devices whereby we can win more economic freedom.

Turning first to the matter of audit, we note at once that the provision of economic freedom is peculiarly the job of business. It is the business system that gives release from economic hardship. To quote the words of the United States Chamber of Commerce in a pamphlet entitled "Policies Supported as in the Public Interest", it is "the function of business to provide for the material needs of mankind and to increase the wealth of the world and the value and happiness of life."

It is in accordance with the American way of doing things that we leave it up to business men seeking individual gain to secure these blessings of economic liberty. Obviously, we do not have private enterprise and in particular allow business men to gain wealth or seek wealth via the production of goods simply for its own sake. Socially, we approve and permit private enterprise and production for profit because we know and believe that thereby we not only get a larger volume of production, but lower prices and fuller employment than we can get through any other system of organization of those business activities which we call "economic life". Therefore, an audit of the production, employment, and prices of business together with an audit of the distribution of commodities and services among our citizens constitutes an acid test of the performance of business.

May I quote from Fortune for June of 1938. Fortune, as you know, is a business publication selling for a dollar a copy. The excerpt in question reads as follows:

"The fact is that in operating the capitalist economy American business has consistently misappropriated the principles of democracy. American business has made use of those principles to its own enormous profit but it has failed entirely to grasp the social implications of its profit-making. As representing the capitalist economy, business has an obligation to build a workable economic system. But by 1932 it was evident that it had failed to do this. It had failed and it has since failed to provide for approximately one-third of the American people. It has failed to provide these people with work and hence failed to provide them with a livelihood, to say nothing of democratic opportunity.although there is scarcity on every hand, modern industry limits its production and although demand is slight, it raises or maintains its boom time prices. The results are half-speed operation and masses of unemployed."

Accepting as the acid test of business, whether private or public, that it provide people with the highest possible real income, let us see what the situation is.

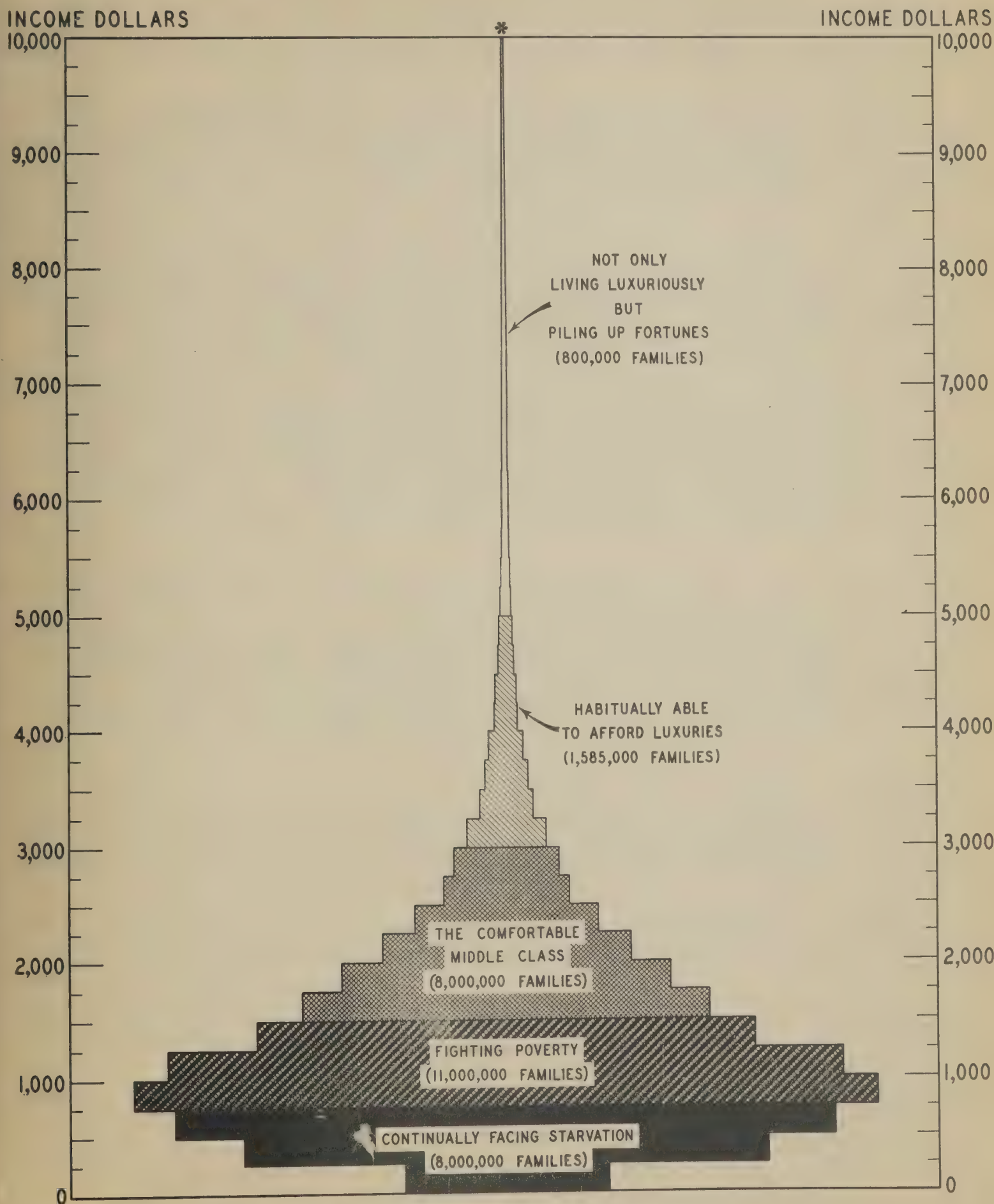
Note that it is not a novel one, nor one peculiar to the present. Our failure in the last few years has been no greater than in previous periods of American life and American history. For example, in terms of production of food, beverages and drugs--in short, in the production of perishable goods that you and I like to eat and drink--production in 1938 was 11 per cent larger than in 1929. In fact, the total value of the different types of commodities and services available to the American people for consumption in 1937 was almost equal to that in 1929. The average for all consumer commodities from 1936 to 1939 was equal to that for the three boom years of 1928 to 1930 and, of course, greater than for any other three-year period in the twenties and for any other previous era of American history. I merely reemphasize the point that the failure of the business system today is not new nor much greater than it was in the past.

A second preliminary statement ought also to be made. When we talk about business as a whole, we must be careful to remember that most portions of business do an excellent job. But some portions do not. Underproduction is a malady that is peculiarly localized in some industries and less so in others. In 1936 and 1937, for example, the farmers of the United States produced as large a total physical product as was produced in any year in our entire history, but they were penalized by low incomes, although they had contributed generously to total income. Agriculture met, on the whole, all of the tests which I have just outlined: full production, full distribution of the benefits of technology through lower prices, and increased employment. It has not made much in the way of profits, but the number actually employed is larger than it has ever been in this country. If every business would do its job as well as the farmer has, there would be no unemployment problem, no starvation, no depression.

But now let us look at the business man in the city. There, another cyclical spasm of restriction of production occurred in 1937 with resultant disemployment of millions of workers. But the prices of many of these industrial products remain high. To take for example, the prices of building material, steel, lumber, and cement were raised and maintained so high as to stifle an incipient building boom and aggravate a housing shortage. Thus, a large number of industries not only reduced by as much as one-half their ordinary production, but enjoyed receiving the same prices, even while causing unemployment and failing to produce the things consumers needed.

Let us turn back now to the picture as a whole. What is the general story? What was it in 1935-1936? Here we have it in this chart, epitomized in this pyramid of income and welfare levels in American life.

INCOME LEVELS IN AMERICAN LIFE



* 283,000 families with income over \$10,000 get as large a share of the total income as nearly 11,000,000 families at the bottom. The largest income, that is the highest point of this pyramid if drawn on a vertical scale 1" = 1000 dollars, would be 350 feet higher than the top of this chart.

This chart is based on a study made by Hildegard Neeland of the National Resources Committee, entitled Consumer Incomes: Their Distribution in 1935 and 1936. That was a relatively good year. The facts here indicated are not unusual. It would be easy to multiply quotations from Irving Fisher and others showing you that in the twenties these proportions held.

The data apply only to families, thus leaving the story for about ten million individuals. It includes 29,400,000 families. Income from all sources is shown. There is no escape from the figures. If farmers produced some articles for themselves and paid no rent on the farmhouse that is also computed at value in the nearest market and added as a part of their income,---in short, all "constructive" income is included.

The figures run as follows: First, there are at the bottom of the pyramid, 8,000,000 families getting \$750 a year or less. Their average income runs about \$480 a year. Their average expenditures are greater than that -- average income \$480 or \$40 a month and average expenditures about \$52 a month. Studies have been made and are being made by the National Resources Committee and the Bureau of Labor Statistics showing how these expenditures are divided. You will find greater detail in a book, Social Education, published by the Macmillan Company under the authorship of the Stanford Educational Conference, particularly in Chapter VII, called "Welfare Levels in American Life". You will find that this group spends about \$52 a month. It is, of course, this group of 8,000,000 families that constitutes the third which is ill-clothed, ill-fed, and ill-housed. It is the group that suffers most from sickness. It is the group, needless to say, that suffers most from lack of economic opportunity. It is the group that has the least economic freedom. With justice one can say of these 8,000,000 families that they are continuously facing starvation. Incidentally, these families average about four persons.

The next group has about 11,000,000 families in it with incomes in 1935 and 1936 that ranged between \$750 and \$1500 a year, literally fighting poverty. It is a group whose standard of living has been frequently described by the Bureau of Labor Statistics. They cannot afford the luxuries -- indeed, many of the comforts -- that are characterized as the American Standard of Living. Refrigerators, telephones, vacuum cleaners, washing machines and items of that nature are seen primarily in the advertisements and in the motion pictures. Of this group usually less than half and in some instances less than one-sixth own automobiles. The average value of the automobile they own is about \$50. Only one or two out of a hundred ever buy a new car.

I know that you are interested in relating your problem to the general economic problem. Needless to emphasize is the fact that the two occupational groups that are largely found in these two lower levels are the farmers and the laborers. 35.7% of the farm families exist on the "starvation level" of income. An additional 39.2% are on the poverty level. Less than 25% of the farmers are found at the comfort and luxury levels.

To be sure, these divisions are arbitrary. In one section of the country \$1500 means more than in another. But don't let anyone try to sell you that a person with a \$500 income in some local small community is better off than a person with a \$1500 income in a large city, such as New York City. We tend to exaggerate a great deal the difference in the cost and standards of living between various areas. There are differences between urban and rural areas, between small towns and metropolitan centers and the like. But not to the extent that no grouping at all is feasible.

The 8,000,000 families getting between \$1500 and \$3000 can be said to enjoy comforts. By the "comfort level" I mean that they not only get enough to eat and wear, but that they habitually enjoy many of the inexpensive luxuries, and occasionally some of the expensive ones. This is the group that, on the whole, lives as advertised -- i.e., in accordance with the style which American business men like to represent

to the public when at home and to foreigners when abroad as the usual American Standard of Living enjoyed by all wage-earners, displayed in department stores and in the chain and variety stores.

The group getting between \$3000 and \$5000 a year habitually enjoy luxuries. There are 1,585,000 families that are able to afford luxuries such as adequate medical care and hospitalization, trips to Europe, new automobiles, completely modern homes in exclusive residential districts, and the like.

Finally, we have the savers' group of 800,000 families, living at the "savers' level", getting \$5000 income a year or over. This chart only shows incomes from zero to \$10,000. There is a group of 283,000 families with incomes over \$10,000 that are not represented here. According to the income tax returns the largest single family income in this period was between \$4,000,000 and \$5,000,000. If this chart were to represent the whole of the income pyramid, it would have to be extended upward four or five hundred times, that is some 400 or 500 feet skyward.

The small group not represented on the chart, however, these 283,000 families, get as large a share of the total income as nearly 11,000,000 families at the bottom, which includes all 8,000,000 families on starvation level and 3,000,000 families of lowest income on the poverty level. In other words, the top one per cent gets as much as the lowest 40%.

The 800,000 families getting more than \$5000 not only can enjoy every luxury but they are the savers. They do the saving for the economy. The lowest 80% of families save only two per cent of the total amount saved even in a boom year like 1929. This top group of 800,000 families do more than 85% of the saving. They are, therefore, the "thrifty abstainers" -- they pull in their belts and do without things in order to earn the reward of abstinence, called "interest" in economy theory. They know enough to prefer present goods over future goods -- they are the more far-sighted, more thoughtful people who put something by for the rainy day.

Question by Audience: How many are there on the comfort level?

Answer by Mr. Kreps: On the comfort level there are about 8,000,000 families. Full information can be found in the report, already mentioned of Miss Neeland, the report which, so far as the distribution of income is concerned, is to my mind "Document No. 1". When you seek to know what the American system of business is giving to the American people, get this booklet which can be obtained at the National Resources Planning Board from their Publications Division. It costs thirty cents. Its title is Consumer Incomes in the United States: Their Distribution in 1935-36.

In looking at the data, one or two qualifications should be kept in mind. First of all these incomes are not net incomes, neither at the top, nor at the bottom. They are not gross incomes in the ordinary business sense of the term but they are incomes received before taxes. The distribution of tax-paid income is somewhat different though not completely so. For the amount of taxes, such as tariffs, excise, sales and property taxes which are shifted upon and borne by those in the lower brackets, is often underestimated. A recent study of the Twentieth Century Fund, called Facing the Tax Problem indicates that those getting less than \$1000 probably bear a tax burden in excess of one-fifth or almost 21% of their income.

Let us compare this figure with the taxes borne by those in the savers' level. In 1936, as has already been shown there were 800,000 families getting over \$5000. But, of course, there is a great deal of difference between total spendable income and taxable income. When Uncle Sam came around to collect income taxes he didn't find 800,000 but only 651,866 families with taxable incomes of \$5000 or over. That group reported a total income of \$10,054,062,000 upon which was paid a Federal income tax of

\$1,143,875,000 or about 11% or 12% of their income. But this figure is obviously too low. How can we estimate their total tax bill? By looking at an item on their return called "deductions". These comprise in addition to taxes such items as "interest paid", "gifts to charity", professional dues and the like. But let us regard all of these deductions as part of their tax burden; they totalled \$1,341,328,000. Subtracting both taxes and deductions from reported income leaves seven and one half billion or 75% of the original amount reported, a tax burden not appreciably greater than that borne by those at the bottom of the heap.

The percentage indicated, 25%, is almost certain to be too high. For it seems reasonably certain that the deductions figure is fully stated if not overstated. On the other hand, savers as a group being conservative, it was probably conservative when it estimates its income for income tax purposes. Therefore, the net result which you get from a total income which is conservatively estimated and deductions which are probably fully estimated leaves you a remainder that is probably a conservative figure. The savers suffered at most a 25% subtraction, leaving \$9500 per family to spend and enjoy.

I might go a little further in saying that the families getting more than a million dollars, by similar computations, had left on the average somewhat more than half a million dollars each.

Now I want to say one more thing about this group at the top. Even in 1929 it got 10% of all compensation paid to employees. This brings with it rather interesting ethical implications, a somewhat unpalatable morsel for thought. If it be true that the economic system rewards those of greater forethought and those of superior integrity and moral ability, then ponder over the fact that the man who received in this year the highest wages -- highest item reported as wages -- nearly one-half million dollars, was an eminent fellow Californian of mine, William Randolph Hearst. And those of you who still insist that the business system rewards people for moral action instead of for what happens to be scarce -- may I point out that the woman who had the largest wages that year was another fellow Californian -- Mae West.

Furthermore, this group getting \$5000 a year or over collected 24% of all rents, 40% of all interest, 48.1% of all property income, and 71.2% of all dividends. It is this group, this 800,000 families, not the much-advertised millions, that owns the securities of the country. Even the American Telephone and Telegraph Company is owned by relatively few families. More than half of the stock in 1935 was owned by five per cent of the stockholders. The small stockholders, 382,000 of them, owned less than 10% of the stock. Do not be deceived by advertisements that run something like this: "Nobody owns more than one per cent of the stock. Nobody owns as much as one per cent of the stock." One per cent is approximately worth \$25,000,000. You never see an advertisement that reads: "Nobody owns as much as \$25,000,000 of our stock." It is the 800,000 savers, moreover, who own the life insurance of the country. In certain sample surveys less than 13% of the matured policies get more than 85% of the benefits from life insurance companies. Testimony before the National Economic Committee shows that more than 90% of the policies end in frustration, or lapse....in other words, fail to achieve the goal envisaged. These 800,000 families are the pampered darlings of the American economy. It is they who for the most part manage the American economy, even under the "New Deal". They are the apex of the economic, political, and social system.

Now you say "What can we do about it?" Economic freedom in a real sense is enjoyed by only 10,000,000 families. The 19,000,000 families at the bottom of the heap can hardly be said to have it. They are compelled, about 15,000,000 of them, to live in houses and tenements renting for less than \$18 a month. More than 16,000,000 out of the total of 29,400,000 families fail to make ends meet, incurring net deficits that mean not only losses to business in the form of bad debts and the like passed on to consumers, but inroads upon priceless human capital. In these families there exist high infant mortality rates, high death rates, slum disease, crime, and juvenile delinquency. Most of them are helplessly engulfed

in a vicious circle of low income, under nourishment, lack of education and occupational skill with consequent low physical efficiency and low marginal productivity, making the payment or earning of a higher income economically impossible.

What is the framework of reference in which we will find some sort of solution? There is nothing in the nature of restriction of resources that makes this result inevitable. There is no fatalistic niggardliness of nature. There is no lack of capital. So far as our capitalistic system is concerned, as the Brookings Institute has pointed out, there is no reason why we should not be producing an income of \$2500 per year as a minimum. As a matter of fact, even in 1929 we did not have full production in this country. We were producing at only 81% of capacity. The remaining 19% is important for the product it might have put out would have been sufficient to raise the incomes of all the families getting less than \$2000 in that year to the \$2000 level. And the \$2000 level, as I have indicated, is well in the comfort level. In short, there is nothing in the nature of external necessity that compels this picture, neither in scarcity of resources nor man power nor funds nor capital equipment, even of the capital equipment that we now have.

Nobody has ventured to estimate how much we could produce if, for example, we raised the level of efficiency of all enterprise to that of the highest fourth of the entrepreneurs. Dr. Baker in the Department of Agriculture estimates that the present amount of agricultural production could be put out by less than one-half of the present acreage with effective farming methods. I haven't any doubt that the present level of agricultural production could be expanded beyond anything we have ever known. Yet, as was said before, even if industry matched agricultural performance, there would be little left of our economic problem. Where then is the answer to the present dilemma? It is somewhere in our minds, in our thinking about government and business. Somewhere in our organization, there is both the lack of capacity and the lack of will to spring our economy into full production. What is the nature of the obstacle that impedes us? I would say -- and this is the framework of reference --, it is the one that Woodrow Wilson talked about on a national scale, one that has been talked about a long time, one that springs fundamentally from the fact that scarcity is profitable and that we have not adjusted our economic mechanism in such manner that no one could ever make a profit out of managing for scarcity. While our rules of the game are designed to reward people for greater production, they also enable people in some industries at some times to make more money by lowering production and increasing prices, rather than by increasing production and lowering prices. In short, scarcity is profitable.

Such scarcity is almost wholly motivated if not implemented by private controls, and of course our business system being what it is, we not only have but we believe in private controls. Most of the restrictive activities of government such as imposition of tariffs or quotas have been but extensions of private controls. These private controls, in some cases concentrated, are of course interested in profits, and it is basic to the American way of doing things that individuals should be given a free opportunity to make an income for themselves so long as they thereby render a service to society. That is fundamental. But let me repeat profits can be obtained in two ways: (1) by increasing the amount of production; (2) by decreasing production and maintaining prices. The former is excellent, the latter may not be.

Endless confusion in thought results if one fails to realize that there is but little real distinction between government and business. Government is a business and business is a form of government. Let me quote Mr. Henry Dennison, an eminent industrialist, maker of some of these paper novelties which lie before you on these tables. In a recent issue of the Michigan Alumnus, he stated: "The basic supposition that business can be considered as an entity separate from government is wrong.... In the modern world a large number, often a considerable majority of the citizens, spend the most significant hours of their lives as part of the business structure. Insofar, therefore, as business governs the lives of its

people when they are working for it, business is, itself, a government within a government." Business and government use the same devices, the same methods, the same bureaucracy.

There would be much less of a problem if both were based on democratic principles. But unfortunately, quoting again from Mr. Dennison, "As a matter of fact, most of our business structure today is an aristocracy, and one of many years standing. New members, to be sure, are constantly joining the governing group, but most of them soon adopt the coloration of the group, its presuppositions, traditions and attitudes. They have slowly withdrawn themselves from the realities of the needs and conditions of the people they are supposed to serve, thus getting out of touch with their field of service, and ultimately giving up privately any intent to serve. However much business may idealize its motive of service to the community and the opportunity it offers its employees to maintain and express themselves in work useful to their fellowmen, no realist who knows anything about the fundamental organic structure of the business world can believe that this service and opportunity are its primary purposes."

Now this concentration of control - I need not emphasize - has, if anything, increased. Mr. Berle and Mr. Means have written about it in their book on "The Modern Corporation and Private Property". All I wish to point out is that the great company - like General Motors or the United States Steel Corporation - is a government, taxing consumers just the way governments tax consumers. Time does not permit me to draw this parallel in detail, but those who are interested should read Professor Charles E. Merriam's book, "The Role of Politics in Social Changes". Let me quote a pertinent paragraph or two:

"The great company assumes many of the characteristics of what is commonly considered a government. It has a legislative body, an executive, an administration, a department of state (public relations), a law department, a treasury, of course. It takes on many of the characteristics of what is called a bureaucracy. The heads are invisible and intangible or tend to become so; they lost contact with their men; personnel divisions spring up; security of tenure becomes an issue, leading the way to pensions and other forms of insurance. Inflexibility and worse may creep into the organization as it becomes strong, irresistible, and proud. Responsibility may be resisted and evaded. The irregularities often follow a strikingly regular pattern of attempted escape from central supervision by a large concern. Thus government thrust out of the front door ostentatiously, comes in at the back door quietly.

"With reference to their weaker rivals these great ones may lay down rules of action to which conformity is as important or perhaps even more so than compliance with the law itself. Manner and mode of production, prices, profits, areas of marketing -- the whole gamut of production -- may be swept by the benevolent supervision of the stronger. And the penalties may be swift and drastic -- rivaling the death sentence in government in some cases where financial ruin is the alternative. Trials and executions are no less a phenomenon of industry than of government, and at times almost as publicly. Poverty, insanity, disgrace, the grave even, are in the train of the powerful who sit in the seats of economic government from time to time. More than one man has been sentenced to hari-kari by the decree of a financial board or boss who showed him the way out. The characteristics of the shame of power are repeated in a close view of many of the operations of industrial enterprise.

"Nor can it be forgotten that in these same hands there rests at times direct political authority. Orders may be issued for action or for inaction through the political boss, if there is one, or through the governing agencies whomsoever they may be, under certain conditions. These economic governments spread out over the whole field of business enterprise and even reach into the most remote corners of the earth. As

ruthlessly as government they invoke their power and penalties against the recalcitrant in the attempt to integrate and organize authority in a given domain. If they cannot tax, they can fix prices -- and perhaps escape taxation themselves. If they cannot fine, they may weaken or ruin even more effectively. If they cannot imprison they can deprive of employment and drive the weaker toward starvation. If they do not raise armies, they can organize their own deputies into coal and iron or other police and carry on struggles in times of industrial strikes -- little short of civil war in some instances; and they may also control the local organization of force and justice, or intimidate, if not own.

"They may control the working conditions and hours of thousands of men, and, privately, shall we say, regiment their conduct to an extent not equaled by the organization known as the government. Especially under the decentralized political system of the United States, they may assume and exercise wide and little restrained authority over the lives and fortunes of men; and when the life span or working span is over, they are legally free of responsibility for the future of the crushed, broken, or aged.

". . . Curiously enough, a corporation may obtain powers under the laws of some States, giving greater powers than the State Government itself may exercise.

"Furthermore, the relations between these larger units themselves become a problem of far-reaching importance to the community of which they are a part. Great 'companies' may struggle and make war with each other within the boundaries of the State, as railway groups, or steel groups, or oil groups arise and contend for the mastery. At the same time comes battle with the smaller companies, concerns, and individuals, and the pressure of all of them upon the consumer and upon the worker and upon the state itself. These acute struggles create new types of tensions which the government may be called upon to regulate in one fashion or another. As these clusters of interests become national or even international in form, the problem of a control system becomes even more grave and even more insistent in demand for some solution. The conflicting groups at one time denounce and resist the state and at another call loudly upon the state for help in the establishment of some form of regularization and order. Thus railroads at one time ask for governmental grants of land; at another resist governmental regulation; at another ask for governmental loans; and again may attack bitterly the process of state regulation."

Probably no one phenomenon more clearly indicates the terrific power of a few business men over our economic life than the importance which is attached to confidence. There are many who say that there never will be full employment and economic recovery until the leading business men have confidence. Much in the way the people used to be told by their monarchs to endure political troubles with prayers and tears so the public is told by this select group of economic overlords to endure their economic ills with patience. In the words of Walter Lippmann in his book, "The New Imperative", and may I point out that Mr. Lippmann is not at the present time a fanatical friend of the New Deal, "Americans are not even told to go West and start a new life. They are told to sit and wait like Chinese coolies in a famine until for some mysterious reason the warm blood of confidence rises once more in the veins of bank directors and corporation executives. This is not a doctrine to inspire young men -- especially American young men, -- the sons of pioneers and of immigrants and of those who dared to undertake great enterprises and to settle a continent."

What is the real job, then, ahead of us? The real job is, wherever we may be, whatever we may be, no matter what our job and capacity, whether we are trying to do something for farmers, laborers, or consumers. . . . the real job is two-fold in nature. One is to do a patchwork job, to help the farmers and laborers by

outlays for relief, social security and the like. But that is not enough. Until the fact is recognized, for example, that the farm problem in this country is at least one-half, if not more, an industrial-repercussion problem, the job of helping the farmer hasn't even been started. The farm problem in some of its aspects is merely the reverse side of the maladjustment of industry.

It is full industrial employment that provides a vigorous market for the farmers' wares. Many problems that you in the Farm Security Administration are wrestling with will be diminished considerably, if not eliminated altogether.

The solution of this problem of the proper balance between industry and agriculture as well as that between business generally and government is one that requires a return to old and tried American principles. In my judgment what we need more than ever before is a revival of the rugged spirit of the frontiersmen. Oddly enough, this fact is not frequently mentioned over here, but it is emphatically stressed by foreign observers. In a recent article in the "Atlantic Monthly", for example, Mr. Graham Hutton writes under the caption "An Englishman Looks at the United States" as follows: (Mr. Hutton is Assistant Editor of The London Economist, a well-known English ultra-conservative financial journal).

"America's escape from the same dilemmas that vex European democracies depends on a return to, a rediscovery of, not the old rugged individualism which could only flourish and profit in an expanding America, an expanding world, but the pioneer spirit which imbued that individualism with its strength and resourcefulness....

"In depression, America has found she possesses a tradition of her own.....President Roosevelt has been groping towards it.The Englishman in the States is utterly bewildered by the politico-economic opposition to the Roosevelt Administration. He finds no alternative program, beyond a vague yearning for the Coolidge days....."

This pioneer spirit demands that we find a way of reasserting the control of the common man over those who govern him. That, in the words of the Declaration of Independence, there be no government which does not "derive its just powers from the consent of the governed." It is high time that the pioneers reassert in action their adherence to the old American way. This, of course, was that of going out and meeting problems, devising new ways of solving them rather than remaining in obsolete fortresses of privilege.

A revival of the pioneer spirit means a revival of the democracy of the frontier, of husking bees, of community cooperation and daily working together. It means the revival of a much misunderstood and maligned policy called "laissez-faire".

Now let no one judge hastily. Let us first make sure what laissez-faire really means. Here are some of the things it does not mean. One of these is the idea that laissez-faire means to "let alone". Many there are who think that "Less government in business and more business in government" is a laissez-faire slogan. But let's define our terms. According to the dictionary, government means an orderly arrangement of human affairs. Business is defined as any activity designed to make a profit. "More business in government" then, literally means more seeking of individual profit in activities where we try to organize our human affairs. Another name for that is "graft". While "no government in business" is obviously an anarchistic slogan, something racketeers pay millions of dollars to achieve. No one resented government more than Jesse James. Laissez-faire never meant historically nor among scholars that government should let anyone alone. This has been strikingly demonstrated by Professor Overton Taylor, a Harvard University Professor, in a book called "Economics of the Recovery Program". He points out that if.....

"If we translate laissez-faire as 'let alone', it never meant that the government should in all matters let business alone, or let the people as individuals or as groups and classes alone, in their business dealings and relations with one another. It meant, rather, that the government should compel all classes and individuals to let one another alone, or keep their hands off of wealth belonging to others, or refuse to let itself be used as the agent of any group seeking to gain at the expense of any other."

In reality, therefore, laissez-faire means that the government should compel all classes of individuals to let one another alone. It requires that government refuse to let itself be used as the agent of any group. In short, it is the duty of government to see to it that the bank directors keep their hands off of the savings of depositors. All our legislation trying to make the deposits more secure is in keeping with laissez-faire. It is the duty of government to see to it that security brokers and investment bankers and the like keep their hands off those who buy securities. It is the duty of government under laissez-faire to see to it that employers keep their hands off labor and cease dominating the vote, thinking, and speech of their employees. All the legislation which has been enacted to protect the laborer, the whole of the social security program, come squarely within the framework of laissez-faire.

This, of course, runs completely counter to another popular misconception of laissez-faire which I shall call the "lazy fairy" theory -- you know -- the theory that if you **are** very, very lazy and do nothing some fairy -- some invisible hand -- will come to solve all problems for you. Such a notion is, of course, completely counter to the whole scientific view point characterizing human thought since the time of Newton. It is a fatalistic doctrine. Therefore, the "lazy fairy" theorists say: "Don't do anything, and natural forces of recovery will bring about an immediate economic change."

Needless to say, this "lazy fairy" version is completely untrue. Laissez faire **neither means that the government should "let alone" or "do nothing"**. On the contrary, it is a **grand old American ideal and pioneer principle**, embodied best on the athletic field or race track. It is the practice where to realize the noble ideals of fair play, equal opportunity, and justice, referees continuously exercise control over competitive activities. In order that a maximum of liberty may be enjoyed by the contestants, to make sure each contestant gets the maximum individual reward appropriate to individual ability and individual effort, lanes or areas are marked out within which competitors must stay. In order to ensure a better playing of the game, all the rules no matter how old, are regarded as being constantly on trial and changed when necessary by the rules committee which meets regularly for that precise purpose. Vociferous mouthpieces of prejudice arguing that the rules should be sacrosanct despite the human cost are looked upon either as insane or ridiculous. In short, as Adam Smith points out on nearly every page of his famous Wealth of Nations, it is precisely the function of government to govern, to prevent force and fraud, to keep the hands of stock brokers off of the investments of small investors, to protect the savings of depositors from the mistakes of bank officers, to help save the homes of small homeowners, to help laborers secure a fair price for their labor despite their helplessness, farmers a fair price for their product, etc.

We must call the American people back to the true ideals of democracy -- that is, to the fundamental democratic principles of Jefferson and Lee and repudiate the fascist doctrines of the railroad promoters of the eighties, the trusts of the nineties and the stock speculators and public utility empire builders of the new era.

It is the essence of the pioneer spirit to insist on democratic principles. What is this essential challenge of democracy? In 1776, we presented this democratic challenge to the legal system. A few people began to ask, "What is the purpose of these legal arrangements? Why have them?" If the common man stole

a loaf of bread, the penalty might be life imprisonment. But if the wealthy man did it, it was overlooked. That was the way in which legal favoritism and privilege were enshrined in the law. The essential thing in the American Revolution was that we not only wanted the abolition of these legal privileges--therefore, we have never permitted titles and the like--but that we tried to devise a system of equality before the law. That ideal may not have been fully achieved yet, but we are constantly striving in that direction.

About a hundred years ago, we presented that same challenge to our educational system. It was then essentially a device whereby only the rich, the well-born, the children of rich families or of nobility were regarded as interested in the treasures of literature, poetry, art, and history. But among the sons of those who fought the Revolution there grew up a surge of democratic thinking to which Horace Mann gave expression in the slogan "Education should educate all the children of all the people,"--that is, it should draw out of them all the talent and capacity they have, irrespective of their wealth or the social position of their family. For more than one hundred years we have followed these pioneers in working out the democratic answer to that problem--equality of opportunity to secure an education. Today it is part of the heart of American thought that every young child, no matter what the wealth, color and creed of his parents may be, should be given an opportunity to develop his or her ability and capacity.

Today the grandsons of the pioneers of 1776 and 1836 are presenting the same challenge to our economic arrangements that the pioneer spirit applied to our political and educational arrangements. Such pioneers ask, "Why have an economic system? Why all these economic resources? What is it here for?"

If I had a map of the United States, it would shout these questions at you. The vast factories we have--why do many of these stand idle? Why all this abundance of resources, of talent, of capital and funds? And one hundred and sixty-five years of American tradition and pioneer democracy roll back the answer: What other purpose save to provide a maximum opportunity for a maximum number of persons to obtain food, clothing and shelter, so that we can build on American soil a civilization fully utilizing all our abilities. Such is the American answer, and such is the direct concern at present of government.

It is that search for a larger economic freedom for the people as a whole which has been the single tidal wave unifying by its direction and force the many items of legislation exploring new ground. If you keep your eye on the main current in this larger quest of the New Deal you see at once the unity underlying much surface diversity. This tide began with the dawn of American history. It has ebbed from time to time, but it had its beginning long before the New Deal and let us hope will continue long after the New Deal has become a memory. This irresistible tide is the fundamental American dream. It is the central issue at this time, because standing between this great Democracy and its realization of that dream lie controls of various sorts, controls which are usually in no sense malicious, just mistaken and uninformed controls which utilize the present rules of the game to increase what is frequently mistaken for their individual advantage, controls which maintain prices, limit production, impose tariffs and other burdens on the consumers, and often thereby fail to make the profit that could be made by less short-sighted policy. These controls are too numerous to mention here. But they stand in the way between the American dream and its realization. They are preventing the full utilization of the vast resources that the bounty of nature gave to the American people. These controls will have to be modified and adjusted if the pioneer spirit is to be kept free, if it is to express itself in our economic life as it has begun to show its individuality in our political and educational life. To work out the American dream in our economy will no doubt take scores of years. Just look at the many ramifications of Horace Mann's simple slogan "Educate all the children of all the people"--free schools, free textbooks, large state universities, and the like. I don't want to take your time and I am not at all in a position to try to predict what the changes may be that will be necessary in the way we do business to effect this American dream. The problem is vast and intricate. We have made only a slight beginning. But we would be unworthy of our status as the grandsons of pioneers who conquered a continent, if we slacked our efforts merely because the job ahead is long and difficult. Let us hold fast to the American dream of our fathers.

September 23, 1939

James G. Maddox

I wish that you would think back to some of the things we have done here this week. In the speeches and discussions presented to you, you heard not only some of the best ideas which we could commandeer, but also a real challenge to this organization. It was indeed remarkable the way in which those speakers so definitely went down the same general road in the things which they had to say. Miss Ogle remarked to me last evening that she didn't doubt my veracity, but she wondered if we hadn't met with these speakers sometime, someplace, or somehow. It is true that we asked them to discuss certain topics and told them a bit about our organization. I think you will agree with me, however, that in a one and a half page letter you couldn't get across in any shape, form, or fashion, the ideas which might have controlled or influenced them greatly in what they had to say.

I was tremendously impressed with the point of view which constantly came up in those speeches and which came up later in our discussions. It was the point of view which really said, "If we are going to carry forward in this country, we are going to have to do it by adapting our old ideals or ideas to a new material or technological situation". That is to say, each and every one of those men wanted us to hold, and I am sure you all want to hold tenaciously to the thought that the individual is the unit in our society of supreme importance. We still believe in individual freedom; we still try to respect the dignity of the individual. If I were to try to lay down an ideal ethical principle to guide this organization in the future, I think it would be something like this: That the good things of our society or of any society should be distributed in such a manner that each and every individual should realize to the fullest his inherent personality. That is the ideal ethical principle. To put it into practical administrative operation, we have to compromise on several scores. One of the first is that it is virtually impossible to determine in any scientific manner what are the needs of the individual in order for him to realize to the fullest his inherent personality.

And so we begin to think in terms of minima. Let us give him at least minimum things, then we may think largely in material things. However, we certainly should not stop there. Let us so alter our society that he can achieve the minimum food, shelter, and clothing needs which are necessary for physical vigor and healthful physical development. If you inject the idea of a minimum into this ideal principle, you have an operating principle that we can use and which we should use so that each and every individual in our society should have at least the minimum of physical things that will give him a healthy and vigorous physical development.

I suspect that the crude working principle which we might follow in respect to the non-material or non-physical things is we should give each individual an equal opportunity to participate in all of the non-material aspects of our culture - education, religion, recreation, politics, etc.; - to each and all an equal opportunity.

That I say is a practical working principle which is a slight modification of the ideal. On the physical and material side of our culture give at least those minimum goods and services which are necessary for a healthful and vigorous physical development of the body.

It was also remarkable that everyone thought that we were more or less going down the right road to preserve the dignity and the freedom of the individual, and we all agreed that self sufficiency in agriculture and a greater emphasis upon a cooperative effort among farmers was desirable. Those are certainly two very important tools with which we work. Much of our farm and home planning, the central core of a lot of our

work, if not all of it, is aimed at the development of those two ideas - self sufficiency and greater cooperativeness among farmers.

I wish that you would think now more than you have before that when you prepare a farm plan, effect a debt adjustment, and when you set up a cooperative loan, approve, reject, or service a loan, you are doing something which is an integral part of a process which is trying to recapture for this country in a changed material setting some of the ideals of freedom and justice, opportunity, security, and equality, which we did capture many years ago and which we wish to hold. We could do it without much trouble so long as we were a growing country. The problem might be said to be the preservation of those ideals of freedom, justice, equality, and security in a non-expanding country and economy. Think of what we should do as integral parts of an attempt to build a culture which still preserves those ideals even though our technological and our material setting is entirely different.

Let me say in all sincerity that I have been greatly impressed by this conference. I know that I have never held our personnel in the high respect and esteem that I do right now. You came here with open minds; you have shown a great deal of patience; you have shown that you are willing to tackle some tough questions in a fair and open-minded manner, and you have shown a very great deal of intelligence. Personally, I not only want to thank you, but I want to have you believe that never since I have been connected with this organization have I been so highly pleased with the personnel we have as I am right now. You have proven this beyond all question.

I fully, frankly, and sincerely believe that we have got together a group of people in a working relationship and with a program that is going down the road to do and think in terms of some of the fundamental principles that we always thought were worth the sacrifice of effort and life. I want to thank all of you for coming in and working as you did, doing it in the spirit you did, and showing the intelligence and tenaciousness which you have.

COMMITTEE NO. 1

September 20, 1939

Subject for Discussion: Effects of Technological Progress.

- a. Considering that technological progress in agriculture has distributed its advantages unequally in that it has reduced the opportunities for rural employment and made it more difficult for small farmers to compete commercially, how can this Administration better assist those who have been disadvantaged in this way in overcoming the effects of technological progress?
- b. Will our efforts in this direction tend to create a large class of people wholly and permanently outside a desirable national agricultural economy? If so, what can and should we do about it?

Members of Committee:

<u>Name and Title</u>	<u>Region</u>
H. M. Peet, Assistant Regional Director in Charge of RR, CHAIRMAN	XI
Hubert Bailey, Regional Farm Management Adviser	V
Dr. Ethelyn O. Greaves, Chief of Home Economics	IX

<u>Name and Title</u>	<u>Region</u>
John A. Wright, Chief, Loan and Collection Section	II
Claude Woolsey, Regional Chief, Community and Cooperative Services	VI
A. G. Morgan, Regional FDA Chief	X
F. A. Boutwell, Associate Cooperative Specialist in Charge of Health Services	VIII
Christy Pettee, Collection Adviser	I

REPORT:

A problem now disturbing our national agricultural economy is that of absorbing the technological progress of the past century. Admittedly, this progress has not distributed its advantages equally. It has reduced the opportunities for rural employment and it has increased the difficulties of thousands of small farmers who are or have been attempting to compete commercially with thousands of other farmers, better circumstanced.

Your committee considering the effects of technological progress has been asked: How can the Farm Security Administration better assist those who have been disadvantaged by the advance of the machine?

Obviously, any answer to this question that will satisfy this group must be one that indicates the adjustments necessary to bring the greatest social benefits of technological progress to the greatest number of people engaged in agriculture.

A fair consideration of technological progress compels the acknowledgement that the development of the machine has contributed many benefits to a majority of those engaged in American agriculture. Though there are exceptions, of course, it may be claimed reasonably that over the country generally the mower has replaced the scythe, the binder has replaced the cradle, the dump-rake has replaced the hand-rake, and the cream separator has replaced the milk pans in the cooling house. On many farms the power pump has replaced the hand pump, which previously had replaced the old oaken bucket that hung in the well. These and many other mechanical improvements have contributed to better living and more economic production. They have been absorbed in our agricultural economy without causing permanent or far-reaching maladjustments because they could and did contribute to the more efficient use of man power and horse power, and to better family living, at a time when our agriculture was expanding.

Other mechanical improvements, however, have not been so generally beneficial. Particularly, your committee has in mind those which have been introduced as substitutes for man and horse power on the farm and have required sources of energy production other than those produced on the farm. Ownership of this type of machinery has forced farmers to the necessity of making or assuming big capital investments and of making large cash expenditures for annual operating costs, with less cash available for the payment of capital obligations, of real estate charges, and of maintenance expense. It also has resulted in reducing the standard of living for many families. Sometimes it has resulted in the loss of homes by inducing farmers to expand unwisely or to engage in types of specialty farming that were unstable.

Your committee feels that those farm families disadvantaged in varying degree by technological progress may be grouped in three classes:

- 1 The farm family operator located on a potential economic unit.

- (a) This family may be over-capitalized in farm or home machinery or equipment.

- (b) This family may not have operated on a sound plan; consequently too much of its income has gone to the operating of machinery and equipment.
- (c) This family may not have been able to purchase the necessary machinery to put itself into a fair competitive position with other farmers.

2. The farm family residing on a non-economic unit.

3. The farm family that has been completely displaced by technological progress.

Your committee believes that the Farm Security Administration, in its efforts to be of assistance to the three classes just enumerated, should not contribute to any further social disruption or to any further displacement of farm families by financing or refinancing farm units and farming equipment which involve more than the normal acreage or the mechanization necessary to maintain a stable family enterprise.

We believe that, so far as this Administration's program of assistance is concerned, it should be based on a farm and home plan that will establish in each instance a sound family enterprise. The details of this plan may vary from region to region, and from community to community, even from farm to farm but its underlying principles should always be the same. The plan will indicate what the income producing ability of the farm and family can be under reasonable management. From this can be determined the debt paying ability of the family and it should disclose what mechanical improvements and processes may be wisely introduced into the farm family enterprise for the purpose of increasing income or reducing labor costs.

Such a farm family enterprise contemplates an economic farm unit adjusted to the type of farming and the land use approved for the area. It will be governed by the family labor available and will produce sufficient non-cash and cash income to maintain a satisfactory standard of living, pay necessary cash operating expenses, maintain and replace livestock and home equipment, and pay annual real estate charges.

Your committee realizes that the sound farm family enterprise just defined is a goal that cannot be attained quickly by every family that the Farm Security Administration endeavors to assist. We realize further that it is a distant goal for some of the farm families we have classified as not enjoying the advantages of technological progress. Nevertheless, we feel that it is the goal toward which all our efforts should be directed and that its attainment over a period by a reasonable majority of families with whom we work will have a beneficial effect on American agriculture, through the direct and indirect influence it will have on farm families not under Farm Security Administration supervision.

For those farm families classified as located on potential economic units but not now enjoying all the advantages of technological progress, we suggest the establishment of community and cooperative enterprises both where families already own expensive equipment that they cannot use to maximum efficiency and where families are denied the use of such equipment because their operations do not justify individual ownership. Debt adjustment should be brought about in every instance where the debt load is greater than the family's ability to carry. Longer tenure should be arranged for those who are renters, in order to clear the way for future orderly operations. Somehow and in some way more effectual supervision should be provided for every family to whom a standard loan is made.

Those families residing on non-economic units constitute problems which, with few exceptions, the Farm Security Administration has hesitated to tackle in every region. Your committee is of the opinion this Administration cannot continue to ignore or sidestep this class. While our assistance may be limited

to a seemingly small percentage of this class, it should be directed toward the goal of establishing sound farm family enterprises. Where the unit is non-economic because of size, every possibility should be explored to overcome this disadvantage. Perhaps the unit can be enlarged by securing additional acreage. Perhaps its productive capacity can be increased by soil improvement, by land clearing, or by water facilities. In some instances the joint use of cooperatively owned facilities or the establishing of group farming by cooperative lease-holding may enable the development of intensive farm practices that insure a reasonable amount of self-sufficiency for the family. Wherever this Administration can envision a program for an individual enterprise that will overcome the disadvantages of the size of a unit, we should not hesitate to assist that family by grants until it has achieved reasonable self-support. One of the main problems of the Farm Security Administration is to find a sound farm and home economy for small farm enterprises.

While technological progress is not wholly responsible for the displacement of a large number of farm families, many of whom have been forced into the migratory stream, your committee is of the opinion that it is an important contributing factor. For those displaced families who move from area to area in search of employment as agricultural workers, particularly in those regions where crop production is highly industrialized, we believe the Farm Security Administration migratory labor camp program is a soundly expedient venture. We are not prepared to say that it is a solution of the problem.

For this class, as for the other two, we believe it is not unreasonable to suggest that in some way they should be assisted to self-sufficiency. Not all, of course, can be returned to sound family enterprises on economic farm units. Some of them can. Therefore, we approve the plan of the Farm Security Administration to establish labor homes in its migratory camps into which may be placed well selected worthy families who may be assisted to regain a foothold on the agricultural ladder.

Your committee does not ignore the fact that there are many ways in which a more equal distribution of the advantages of technological progress could be aided by means other than those which the Farm Security Administration has at its disposal. Obviously, we have not had time to discuss them or to arrive at conclusions concerning them. In our discussions, however, we mentioned the possibility of a graduated tax on land to penalize absentee landlords and large holdings. We thought also of possibilities of increasing the tax on large profits in industry and using such revenues to equalize the benefits of technological advancement.

Your committee is definitely opposed to the creation of a large class of farm people wholly and permanently outside a desirable national agricultural economy and believes this can be avoided, in part at least, by working toward the goal of reestablishing sound farm family enterprises generally among the present disadvantaged small farmers.

Discussion:

MR. PEET: The FSA should not through its loans perpetrate situations which were creating the economic and social disturbances. We realize that there are certain cases, of course, where it seems very unwise to refuse to make a loan under those circumstances but we believe, as a general policy we should fix our goal and make loans under the conditions that are going to lead to the successful attainment of that goal and, therefore, we can influence generally the pattern of agriculture throughout the country. The committee very definitely accepted favorably that we should fix him to make the farm self-sufficing in the production of food and other materials on the farm that the families are going to need and that its further production should be flexible; that is, to put into the commercial channels only so much as is reasonably expected that commercial channels can absorb and not to plunge into large-scale commercial production.

MR. HUDGENS: Mr. Peet, can you stop this mechanization, and isn't it just indicative of non-progress?

MR. PEET: It is, but we feel that the FSA should cling to the fundamental which is producing living on the farm; that, as we pointed out in our report, is the whole thing. It is not the machinery that is causing our trouble - it is the development of power on the farm in such a way that you cannot utilize stuff grown on the farm. That is the angle we were tackling and we felt that for both humans and livestock on the farm we should provide the food to sustain that family.

DR. ALEXANDER: Mr. Peet, it seems to me that I want to raise this question - you have talked about this family size farm as though their only alternative was an isolated family size farm, keeping within itself, without any relation to any other. We might be looking for ways to group the interest - group certain of the activities -- on these family size farms and therefore think of them not as a separate entity beginning and ending within itself but an association of these small farms by cooperative enterprises that would bring to them many of the benefits of mechanization.

MR. PEET: That was our thought, Dr. Alexander, as the big way of competing against this pressure. We are trying to utilize it to the best advantage. The committee thought that it was not practical to go to this expense for each individual farm where there is a family size unit but rather putting them on a community basis wherever possible.

DR. ALEXANDER: I think our ability to do that single thing would determine whether we will be able to preserve it or not.

MR. MARIS: You don't mean by that question or the answer to that question that we shall not finance a community. We have tenants who are living on a large farm. We will not finance the landlord -- we will finance the tenant.

MR. HUDGENS: Do you find that a lot of farmers who are not entitled to the use of mechanized equipment will want to get it where they should be using livestock?

MR. PEET: You might say that.

MR. HUDGENS: I am not so certain about that, but I think it deserves a considerable amount of study.

MR. ELSER: We made a rather hasty and superficial check in Region X on projects and among rehabilitation clients within the same counties and considerably to our surprise, while the capitalization where you are completely mechanized or partly mechanized is much larger, there is practically no difference in this particular study in the total operating expenses or in the total net worth, whether it is minus or plus.

MR. HUDGENS: I think that oftentimes they find a farmer who needs a pair of horses but what he thought he needed was a tractor. We had to bat his ears down and make him be realistic about his own needs. Smaller tractors that can compete in price with horses and horse-drawn equipment seem to be coming into our smaller farms.

MR. BROWN: Henry Ford has just come out with a small tractor which he feels is going to revolutionize the mechanization of small farms. This thing is serious and I am wondering whether we couldn't get some pressure brought to bear on our experiment station people and extension people to make some exhaustive farm management studies of this thing of mechanization of small farms and just how far we should go or how far we can safely go in not recommending the use of this mechanized equipment which is being designed for small farms. I would like to put that in as a recommendation.

MR. MARIS: For the benefit of those back here in "nigger heaven", let us have the speakers stand up when they speak so we can hear what they have to say.

MR. McMILLAN: I take it your recommendations apply also to participation in rural electrification.

MR. MADDOX: We very commonly confuse two things. We have done it in this discussion this morning. We very likely confuse technological agriculture with large-scale agriculture. Now those two things we need to keep separate. If they do come forth with small machinery that will fit family size farms as they were defined in this committee's report, you have a different problem. Especially in the high plains cotton country and out in the wheat country where mechanization has been gobbling up these small masses they are confusing two things - the family size unit with the mechanized unit.

COMMITTEE NO. 2

September 20, 1939

Subject for Discussion: Health

Recognizing the important part that good health plays in the economic development of client families, how can we best promote and coordinate plans for medical care (including hospitalization and dental care), environmental sanitation, and prevention of disease as integral parts of the general rehabilitation program?

Members of Committee:

<u>Name and Title</u>	<u>Region</u>
W. L. Elser, Assistant Regional Director in Charge of RR, CHAIRMAN	X
Elwin Wixsen, Farm Management Specialist	I
Mrs. Emma L. Bond, Chief of Home Economics	VIII
A. B. Van Huss, Chief, Loan and Collection Section	III
W. J. Maddock, Chief, Community and Cooperative Services	VII
R. B. Moore, Regional FDA Chief	IX
Vernon E. Burnett, Farm Management Adviser	XII
Steele Kennedy, Ass't. Cooperative Specialist in Charge of Health Services	VI
Dr. A. E. Larsen, Medical Adviser, California State Relief Administration	

REPORT:

WHEREAS the Farm Security Administration has definitely committed itself to the development of a health program and whereas the entire health program is recognized as an important integral part of the general Rehabilitation program, this committee offers the following recommendations:

I That the health program be so planned, that when the need arises and conditions justify, it will provide complete medical services to:

- A Tax dependent farm families, usually referred to as grant cases.
- B Low-income farm families, (standard loan cases), sometimes classified as medically indigent
- C Other farm families who may be medically needy.

That such a program can best be promoted and best be coordinated if there is first, a definite plan clearly outlined to follow, within each region and state; second, a clear understanding of the duties of each member of the personnel concerned with the development and operation of the plan.

II That a more definite classification of duties, responsibilities, and relationships of the chief medical officer, medical officers, and the regional health specialists, to the national, regional and state offices be determined and sent out by the Washington office.

III That provision be made in all farm and home plans for necessary medical, dental, and hospital care of the family. The extent of such provision to be determined by the facilities available

IV That each and every state in which an agreement has been reached with the state medical and state dental associations, be considered a field ready for the development of medical and dental care plans in conformity to such agreements.

V That more consideration be given in the future to prevention of disease through:

- A Sanitation
- B Adequate food supply
- C Utilization of existing public health facilities

VI That in so far as practical, all new clients after their acceptance on the program, undergo a thorough physical examination for the purpose of determining physical defects and that further funds be provided as necessary for the elimination of those correctible conditions which retard the rehabilitation of the families.

VII It is essential that the families, the professional groups, and the Farm Security Administration personnel thoroughly understand all the provisions, methods, and objectives of the health program.

VIII In the further development of this program it is requested that the utmost care be given not to increase the number of forms, records, and reports now required from the already overburdened supervisors.

Discussion:

MR. ELSER: The committee recognized that there are many factors contributing to a good health program which are not entirely medical. Those of you who can see the diagram on the board, which is a chart prepared by Region 3, will notice some of those things such as clothing, shelter, and foods. Some of those things were discussed in the committee group. We had some recommendations along those lines, but generally it was felt that perhaps those things were somewhat outside the field of the health work particularly as it relates to the medical end and that at least we all recognized them as parts of the whole program.

MR HUDGENS: I don't know whether Elser had something in the first part I wanted to go over but the last part of his report should be worth a lot of discussion. Elser, what would you say about the classification of duties and responsibility? I wonder if you could go a little further into that or make a little clearer recommendation in defining these relationships and insist that they be defined. In general, we have felt that the relationship was pretty good. Now what we would like to know is something specific to support that point or some specific suggestion as to what further should be done.

MR KENNEDY: Mr. Hudgens, there was sent out last November, I believe, a letter by Mr Perkins explaining somewhat the relationship of the regional health specialists to the regions and states etc. The object of that Paragraph No 2 was to eliminate some of the things that you mentioned in your opening remarks this morning which seem to have crept into the health program in some sections of the country -- that is, elimination of competition, we might say. There doesn't seem to be a clear understanding on the part of some as to whether certain duties are the duties of the health specialists, the cooperative specialists, state directors, or who. Of course, there is none of that that is personal. It may be that some of our people have not read that letter that was sent out by Mr Perkins and interpreted it as it should have been interpreted but there is a feeling that there is a need of some classification of relationship there. Another thing, the organization is growing. The medical care program and plans for carrying it out are changing. The plan of developing medical care programs today is entirely different from what it was two years ago and as we go along, we feel that there should be some new classifications of duties and relationships and they will take care of the situation as it develops. I have also heard this question debated as to whether the medical program is truly a cooperative program or whether it is some other kind of program. That might be taken into consideration in your report of classification if it seems proper to do it that way. Dr. Williams' corps of workers is being increased and there may need to be some classification of duties and relationships there. In some places, it is understood that the medical officer is under the direction of the regional director in the region. I think there is some misunderstanding in one way or the other.

MR HUDGENS: This is important in any activity. We might write a letter to the field. Now those of you who feel you have definite thoughts about this point in connection with our medical care program, please let us see them right now and give us the benefit of your experience. Should the medical officer in a region report to the regional director?

MR KENNEDY: Do you mean the Associate Cooperative Specialist?

MR HUDGENS: The relationship between the medical cooperative people and the medical service people -- is that clear -- should he report to the cooperative specialist or the regional director?

MR LAMB: I think he should report to the regional director. I have been reporting to anybody who wants a report. I have just seen our health program tied up in knots because of some folks interfering who are not skilled or experienced in dealing with doctors and they thought because they have a doctor when they get sick they think they know all about doctors, but I do not believe it is true in our case. After an agreement has been reached, then it becomes the duty of the FSA personnel in that state to develop the health program. We are helping to the last supervisor and stenographer in the county of fices so that they will willingly and readily accept that thing as a part of their every day work.

MR HUDGENS: It can't always be put down in black and white. The less we say and the more you say the better it is. Mr. Lamb, where you referred to the interest of the cooperative people in the organization -- is that where the interference is about to come from?

MR. LAMB: I haven't had that particular thing in my region but from what I have heard, it may be true in other regions.

MR. HUDGENS: Do you find that your state offices tend to block negotiations in connection with the medical care program?

MR. LAMB: No

MR. GLENN: I am about in the same position as Mr. Lamb is and I have not had any personal experience with this thing but in talking to the other health specialists I think there is a little diffidence in getting up and saying the things that will explain this thing because if they do somebody in this room may say, "He is hitting directly at me." The trouble, as I see it, is twofold: (1) That there is a conflict between the health specialists. In some states the regional man, for the interests and the time of the state cooperative specialist and the regional cooperative specialist, feels rightly that he does not like to see him give all of his time to organizing the health work; (2) that because of the misinterpretation of the letter about which Mr. Kennedy spoke, there has been a tendency in some regions for the cooperative specialists to handle questions regarding the organization of health services in certain areas and that in handling that question, he has not consulted the health specialist, nor in some cases, has he reported what his final decision was in regard to that. That has caused considerable trouble in some areas

MR. HUDGENS: My guess is that one of you would know in your own mind how it would be handled. Human relationships will administratively keep these things freely moving. Who has had this problem and has overcome it?

MR. McMILLAN: Are we developing a separate health program or are we following the chart and making this health program a part of the RR program? In our region it does not make a great deal of difference particularly who reports to who. What we are interested in is a health program, not in reports.

MR. HUDGENS: Which would you say you are doing in your region?

MR. McMILLAN: I am trying to get it a part of the RR program.

MR. HUDGENS: Did you come across any of these things these men are talking about? How did you get around it?

MR. McMILLAN: We haven't gotten around it.

MR. HUDGENS: Did you give it special treatment? What would the policy be on this thing? Is it going to be a separate program or a part of the RR program?

MR. SLACK: We have this in Region 4. We have asked each state to designate an individual in that state (in most instances it is the cooperative specialist) to work with the regional medical care man in that state and we have designated in each state a person who will work directly with the medical care specialist as he goes into that state to carry on any details that don't require his personal attention while he is working elsewhere.

MR. HUDGENS: How would you answer Mac's question?

MR. SLACK: We are working it as a part of the Rehabilitation program. Personally, we don't care who the man reports to just so long as everybody in the RR program knows what is taking place and what the program is.

MR. HUDGENS: Did you have the same experience when you were trying to get the district and county supervisors to feel that the FDA program was part of the RR program? I remember it was awfully difficult to get the county supervisors and the FDA people to feel that they were part of the same thing.

MR. KENNEDY: Mr. Hudgens, you will notice by the first part of this report that it is the feeling of the committee that the health program is to be a very definite integral part of the RR program and the committee, recognizing that some of these things were creeping in in some regions, felt that in order that this might go on and be definitely established as a part of the RR program, these little differences might be overcome now before they cause trouble.

MR. HUDGENS: I think a lot of these misunderstandings have come from not having discussions as we are having here. You are the people that can put this over and you don't have to do it with a big stick.

MR. ELSER: In this connection, three provisions should be made on farm and home plans for all necessary medical, dental and hospital care of the family.

MR. HUDGENS: Do you think you could get by with making it a part of the regional instructions that every standard loan should have a provision for medical service in it?

MR. ELSER: Speaking personally, I don't see why not because practically all of the farm plans do have an amount of money -- possibly \$20, \$30 or \$40. In most cases up to date there have not yet been organized medical health groups.

MR. HUDGENS: I meant are provisions in the farm plan for medical services?

MR. ELSER: Generally, I think there is some money set up but in the absence of medical health groups, the amount necessary for the family is always inadequate. In the first place that is about all that gets in on account of the farm plan -- that is as much as the ability of the borrower to repay -- perhaps it is a lack of knowledge of what the service will cost together with having to sort of guess at how much service will be needed. There is generally very little physical appraisal given to families and perhaps there may be hidden defects that may come out any time during the year. I think that we have a difference of opinion in regard to the policy in the various regions and perhaps in the various states with reference to the whole question of grants and supplementing the farm plans with grants.

MRS. CALL: How could that be an adequate amount without a physical examination by a doctor?

MR. ELSER: We are trying to give these families adequate medical care within their ability to pay. We have got to consider another group besides the FSA families if the work will be a success. That is the trouble. If you set up an amount of money in the farm plan without consulting the doctors in regard to the amount of money the family is going to pay, you are not going to get at the question. In other words, you have got to get the health of this family taken care of within their ability to pay. To put the money into the farm plan and not consider the doctors doing the work is going to slow things up. The doctors are going to do whatever work they ought to and charge whatever they can. That is why I say that until you get your agreement with the doctor, I don't think we should provide a full amount or in any way try to take care of all the medical needs of that family.

DR. ALEXANDER: Do you have any difficulty in getting physicians to accept our definition of the ability of families to pay?

MRS. CASE: As far as this matter of ability to pay is concerned, I would like to offer these figures from an analysis made of about 58 plans. We set up an average of \$44 per family but from their actual account books over a period of 12 months, we found that the actual medical expense per family was only \$11 which means that their ability to pay is somewhat less than our very modest sum which we set up. It seems to me that we have to do something else to bring our doctors to a realization of our ability to pay as well as raising the standards of service that we are going to give our families.

MR. LAMB: That \$44 would have paid for a membership in an association. Then that family would have had medical care.

DR. WILLIAMS: I have some interest in the medical care program. We have come a long way in the past three years. We really set out in earnest in 1936 to have a medical care program and we have gone a long way. All of these things we are talking about now are simply growing things. It is just a question of adjustment. That general pattern which we want to follow I think of necessity must be varied and adapted to local situations and local needs. Now I have noted a few general observations through these past three years which might be well to state: First and most important, I think it is essential that the word come down to the county supervisor that we are really in earnest about this medical program. As a specific illustration, there is a certain state I can name where, last year, our health specialist went into the state and the state director wasn't convinced that they really wanted a medical care program and he didn't set up more than one or two counties. Since that time the regional director has made it reasonably clear to that state director that we are really in earnest about this medical program and in turn he made it reasonably clear to the district supervisors who passed it on to the county supervisors that there was going to be a medical care program there. Now we are setting up a great many counties in that state and we are doing it without any difficulty. I might say that my general conclusion is that the easiest people we have to handle as far as selling the program are the physicians. You don't have to worry about selling them on rehabilitation. When they understand, they will go along with you. The next hurdle is the family. The third and most difficult hurdle is our own personnel. I am prepared to back up those facts and statements. I have a letter from what is supposed to be a very tough crowd of doctors in the State of New York. They are very happy to advise us that we are free to approach their county medical societies and work out a program in those counties. Just let them know what counties we propose to go into and they will write special letters in there to see that these counties understand that the state organization is behind them. The doctors are no trouble, but remember this -- you can't handle them like you would a group of cattle dealers or a group of tractor salesmen. A tractor salesman was going along the road and saw a man plowing a bull. He thought there could be nothing worse. He said, "My friend, would you mind telling me why you are plowing this bull? It would be much easier if you had a tractor." The man replied, "I have got three tractors but I just wanted to teach this old scoundrel that all in life is not romance." We can put romance in it by remembering that the primary objective of this program is to render service to the family -- the fundamental objective is the rehabilitation of the family no matter what kind of a family. That is one factor in the assignment of duties that we sometimes lose sight of. Mr. Lamb didn't say anything about it but he actually handles the rehabilitation and resettlement families. In line with handling this thing, remember that sometimes these men have to handle both sides whether rehabilitation or resettlement. I don't give a continental about who is running the program. I want to get the program over. We want to put it over in the counties and in the states and if we will forget this job of who is running the program, we will get out and put this over and we won't have any difficulty.

MR. HUDGENS: That is a subject that ought to have about a week's discussion.

COMMITTEE NO. 3

September 20, 1939

Subject for Discussion: Use of Grant Funds.

There are many farm families in the low-income levels who are not eligible for standard RR loans because of inadequate land resources. Is it possible and desirable to assist these families in becoming permanently less dependent through the constructive use of grant funds? If so, what changes should be made in the present policies and procedures? (There was recently submitted to all regions a proposed revision of our grant instructions, embodying a number of changes, with this object in view. The replies from the regions indicate a wide variance in opinion, running all the way from thorough-going disapproval to wholehearted commendation.)

Members of Committee:

<u>Name and Title</u>	<u>Region</u>
Ted Watson, Chief, Loan and Collection Section. CHAIRMAN	VIII
Walter Swenson, Farm Management Adviser	II
Miss Conie Foote, Chief of Home Management	VII
M. B. Braswell, Administrative Assistant	IV
J. P. Wilson, Chief, Community and Cooperative Services	V
H. A. Nessen, Chief, Regional Loan and Collection Section	XI
Lawrence Lamb, Ass't Cooperative Specialist in Charge of Health Services	X
Dr. F. V. Meriweather, Senior Medical Officer	III

REPORT:

I. QUESTION

There are many farm families in the low income levels who are not eligible for standard RR loans because of inadequate land resources. Is it possible and desirable to assist these families in becoming permanently less dependent through the constructive use of grant funds? If so, what changes should be made in the present policies and procedures?

II. GENERAL COMMENT

The Committee is of the opinion that it is possible to assist many farm families in the low income level who are not eligible for standard RR loans because of inadequate land resources through a constructive use of grant funds. However, it is recommended that this type of program should not be considered with our present available administrative and supervisory personnel due to the inevitable increase in case loads and constant weakening and lessening in supervision of present borrowers and the jeopardizing of the supervisory phase of our present program.

III. RECOMMENDATIONS

Assuming that every effort has been exhausted by our field personnel in attempting to assist farm families in the low-income level who are not eligible for standard RR loans because of inadequate land

resources and assuming that sufficient administrative funds are to be made available to explore the possibility of assisting farm families through a constructive use of grant funds, we recommend the following:

(1) That low-income farm families otherwise eligible for RR assistance but not eligible because of existing land resources be assisted through grant funds to become more self-sufficient where eventual rehabilitation on an adequate unit is possible. We are assuming in this that it is the duty of the FSA to be responsible for all low-income farm families located in rural areas and that it is not anticipated that another Government agency need be developed to assist the rural farm families below our present status of rehabilitation clients.

(2) That first consideration for assistance in this type of program be given to our present case load including worthy liquidating borrowers before additional eligible families are considered.

(3) That the word "grant" be eliminated from the terminology used by the FSA in performing this type of assistance. We suggest that terminology such as "Work Agreement" or "Work Assistance" be substituted.

(4) That all grants, with the possible exception of emergency grants made in areas in which emergencies have been declared, be predicated upon the execution of a Work Agreement so that the recipient of the grant will be committed to perform certain labors in return for the assistance received.

(5) That the Work Agreement contain requirements that the type of work performed should be directed toward materially increasing income, decreasing expenditures, or raising the standard of living. Furthermore, the Supervisor should be furnished with evidence sufficient to convince him that work has been performed in accordance with the executed Work Agreement before rendering additional assistance of this type. In cases where the recipient has failed through no fault of his own to perform work in accordance with the executed Work Agreement he should be considered for additional assistance if necessary.

(6) That the portions of FSA Instruction 740.1 dealing with this type of program be eliminated from the proposed revision and that a separate instruction covering this program be printed not for general distribution but to be distributed to employees only in those areas or communities selected by the Regional Director as the need exists.

(7) That provisions be made where desirable to deposit these funds in supervised accounts to be disbursed only by checks countersigned by authorized personnel.

IV **Comments concerning CHANGES IN "PROPOSED INSTRUCTION"**

(1) That Paragraph II C 2 be eliminated.

(2) That the wording in Paragraph II D 2 be changed from "for at least 5 years" to "for a period sufficiently long to be classed as a casualty of agriculture".

(3) That Paragraph II E 2 be eliminated.

(4) Eliminate words "and may not exceed in the aggregate \$30 to one family during any fiscal year" from Paragraph III A 3.

(5) That the provision in Paragraph X E 1 be revised to provide for mailing of grant checks direct to the Supervisor only in those cases where a specific request is made on the Grant Voucher Form F-1-58.

* Note: Points IV, 1 and 3 are recommended eliminated on the basis that Industry should provide for the casualties of Industry and that Agriculture should be expected to provide only for the casualties of Agriculture.

Discussion:

MR. HUDGENS: All right, shoot

MR. HOLM: Would it be possible to have those portions of the proposed instructions read that are supposed to be eliminated?

MR. MADDOX: I am not sure that I know what you mean by recommendation 6. Please clarify this.

MR. WATSON: The Committee felt that by not passing this instruction directly to the field, it would be a protection to the supervisor for this reason because if it became generally known that the FSA expected to take care of all rural residents, the pressure would almost be unbearable and that the regional directors should designate the areas and instructions should be forwarded through the state director to the district supervisor and, if necessary, on to the county supervisor.

MR. MADDOX: The Committee is saying that the FSA should take care of all families in rural areas but shouldn't send out that instruction to all employees in the field.

MRS. CALL: In Region 12, we have practically all of the grant clients on a work program and we have done a pretty good job in making people feel that unless they carry out that work program, they are not going to receive a grant. This recommendation, I believe, stated that it was to stick but I can hardly see that it should. If the work program is not carried out the grants will be discontinued. I can't quite see that we can make that a rule.

MR. WATSON: That point was discussed at length in the Committee meeting. We thought of families which we are sure are in all regions where there are 4 or 5 children. The wife may be hard working, honest and willing to cooperate and her attitude is good. When the grant check is received, the husband goes to town and plays poker. Even in those cases, we think there still can be a work agreement executed by allowing the mother to do the work. We feel that in practically all cases, a work agreement can be executed. I think that it can be performed even if the husband fails to cooperate or vice versa. We come down to the next paragraph and leave it up to the county supervisor or the home supervisor what ought to be done in this case. Possibly, the home supervisor will issue more grants than the county supervisor does and certainly we expect, if our recommendation is accepted, that the entire county personnel will use their best judgment in absolutely knowing that no worthy person is allowed to suffer because of the fault of any member of his family.

MR. MADDOX: Did the Committee consider what increase in field personnel might be necessary if you follow a program of making grants to persons in need who had inadequate land resources?

MR. WATSON: No sir, the Committee did not consider that point, but I will be glad to make a personal recommendation. I think it will take at least one supervisor and one assistant home supervisor to do this job. I believe that will apply in Region 8.

MR. MADDOX: How many families does that mean are in that county who are below the standard of those we are assisting because of inadequate land resources?

MR. WATSON: That question was discussed at length but was not placed in the report because we were not asked that question. I think that probably there are 100 to 150 families per county or per unit of counties.

MR. O'HARA: As I understand the recommendation of the Committee -- at one time recommended that the FSA be responsible for these families that do not have adequate land resources. It was that this group of persons not be assumed by the FSA unless the personnel could be increased. Does the Committee mean that we are not to do anything about such a group of families with our present personnel?

MR. WATSON: It was the opinion of the Committee that we did not have adequate personnel to take on many more at this time. It was not our recommendation that we, at this time, attempt to assist all of them possible with the personnel available or the funds available.

MR. LAMB: This hinges around the constructive use of grant funds. The question is whether or not the FSA should launch out into a program of helping such families and possibly doubling the amount of grant money we are now using in the Nation. And the Committee was of the opinion that helping these families with constructive use of grant funds to improve living conditions and to provide subsistence and livestock entailed a more difficult supervisory job than the standard loan cases did. Therefore, we set up this requirement first to give us some personnel to do it.

MR. HUDGENS: You are talking about a major change and the solution of certain social problems. It may be able to be handled by the addition of an assistant supervisor, home supervisor and a clerk. It will take a great deal higher type of supervision for our whole staff.

MR. ELSER: There is just one minor point -- that is, is it definitely arranged with the Treasury Disbursing Office? Are these regulations and are they definitely going out to the field in reference to the mailing of grant checks in bulk as a general policy or as each is requested? I am 15 days behind so far as office connections are concerned, but our people are still sticking to their old Treasury regulations on that.

MR. HUDGENS: This letter that went out was made up of suggestions which had come from various members of the staff as to what grant instructions should be. You were asked to give your comments on it and most of you have returned the recommendation with your comments. Now then, understand that those instructions and these recommendations will not enter into the policy until after they have been issued. What you asked about is the delivery of checks. Jerry, how would you answer that?

MR. BRIGGS: Arrangements have already been made with the Treasury to mail checks to supervisors as well as to mail them to the clients. Checks for grants for special purposes will be mailed to the supervisor rather than to the client by the Treasury Disbursing Clerks provided the grant voucher is prepared with mailing instructions to that effect. Separate grant vouchers must be prepared for grant checks that are to go to the supervisor and grant checks that are to go directly to the client. In other words, the two types of grants mentioned must never be placed on the same voucher.

MR. ELSER: How far has it gone to the field?

MR. BRIGGS: The Treasury in Washington has notified all of its regional and state disbursing offices of that so you shouldn't have any difficulty.

COMMITTEE NO. 4

September 20, 1939

Subject for Discussion: Dropped and Paid-up Cases

a. As of July 31 our records show that over 93,000 cases have been dropped or declared inactive. Of this number, approximately 47,428 have been repossessed or foreclosed. To some extent, possibly to a large extent, these cases represent failure on our part. What can we do to detect the need for special handling in these problem cases? What changes should be made in our present techniques to improve our effectiveness in dealing with these clients? What are the causes of failure to rehabilitate and how can they be corrected?

b. Over 100,000 cases are now recorded as "paid-up". When a case becomes paid-up no further servicing or supervision is given by this Administration. What type of follow-up service, if any, appears desirable to give added assurance that rehabilitation has or will be actually achieved? What should provide this service and in what number?

c. To what extent can other agencies participate to advantage in assisting problem cases (dropped cases, and paid up cases)?

Members of Committee:

<u>Name and Title</u>	<u>Region</u>
L. J. Cappelman, Assistant Regional Director in Charge of RR, CHAIRMAN	VIII
George McLeod, Regional Farm Management Adviser	VII
Arthur Folger, Regional Farm Management Adviser	IX
Mrs. Esther B. Call, Chief of Home Economics	XII
A. D. Hobart, Chief, Regional Loan and Collection Section	XI
Martin H. Williams, Regional Chief, Community and Cooperative Services	IV
John F. Joesting, Regional FDA Chief	I
L. S. Kleinschmid, Associate Cooperative Specialist in Charge of Health Services	II

REPORT:

The Committee in working up this report, recognized the seriousness of the problem with which Farm Security Administration is faced when nearly 100,000 farm families have been dropped from our rolls, either repossessed or declared inactive. We of the Committee believe there have been entirely too many dropped cases, and in the short time permitted for the preparation of the report will attempt to cite some of the reasons for our failure with these farmers and suggest a few corrective measures.

As suggested in the subject for discussion we will endeavor to bring out first failures that could be attributed to the Farm Security Administration:

1. General lack of understanding on the part of Farm Security Administration personnel on how to set up and operate a Rural Rehabilitation program.

2. Too high percentage of field personnel employed in early days of program did not have sufficient farm background and technical training.
3. Eligibility requirements for Farm Security Administration loans not strict enough.
4. Borrowers located on land marginal and sub-marginal for the purposes for which it was being used
5. Pressure brought on supervisors to service all applicants who were in need of help.
6. Faulty loan policy and farm planning which did not provide a self-sufficing farm program supplemented with cash from sale of crops, livestock, and livestock products which would permit orderly repayment of loan.
7. Padding of farm plans and over-estimating cash returns to meet anticipated expenses.
8. Inability of supervisor to do field work due to large amount of office work required - generally referred to by farmers as "red tape".
9. Failure on part of supervisor to recommend and work up Community and Cooperative Service loans so that services needed by farmer can be had in keeping with his income.
10. Inaccurate and incomplete financial statements which prevent adequate debt adjustment.
11. One-man opinion on foreclosure recommendations.
12. Uncertain tenure which prevents long time planning.
13. Personnel policy where field force is increased to take on a heavy load during the Spring or intake period. Then due to budgetary requirements, the personnel is reduced leaving the supervisor with increased case load and decreased field force, making proper supervision of Farm and Home Plans impossible.

Failure due to Borrowers:

1. Lack of understanding of the Rural Rehabilitation Program.
2. Borrower not interested in farming except as a means of getting by until times improve when he can get other employment.
3. Lack of initiative to carry out plans suggested by supervisor.
4. Dishonesty. Domestic trouble.
5. Sickness due to lack of preventive measures.

The Committee recommends that the following action be taken by the Farm Security Administration to prevent the failure of cases in the future: Personnel training for field workers and group meetings for applicants should be used to establish better understanding of the FSA program both by FSA personnel and FSA borrowers. Careful planning should be required of FSA personnel in the preparation of sound farm and home plans. Such plans should be made after all possible debt adjustments have been arranged. Plans

should be based upon sound land use policy and should require that full advantage be taken of the possibilities for participation by the borrower in community and cooperative projects. Care must be urged on the borrower's family in setting up their Farm Plan so that the financial statement is correct, that the family understands the source of income from which each item of expense will be met. Care must be taken so that the Farm Plan provides for income sufficient for family needs to prevent tensions which cause bad effect on health, both mental and physical, strain on family ties and temptation to dishonesty. Full explanation of the release procedure and security requirements may also prevent actions by borrowers which are actually dishonest. Tenure improvement by requiring written leases on fair terms, careful examination of contracts and emphasis to client on importance of full discussion with supervisor of any plan for change of farm.

Supervisors must have assistance in analyzing problem cases. This may be provided insofar as possible by the district supervisor but should be supplemented by county committees and representatives from other agencies. Regional office personnel should be made available to assist the county farm and home supervisors with problem cases, but such assistance should be given in a way to strengthen supervisor's understanding of the philosophy of the FSA program as well as assisting in handling particular cases.

Group health services should be utilized to improve health of the borrower families and increase possibility of successful rehabilitation through better response and attitude of a well family as well as increasing ability to operate farm and home. Fire insurance should be encouraged so that the shock of misfortune will be lessened.

What can we do to detect the need for special handling in these problem cases?

In order to identify individual farmers whose Farm and Home plans are breaking down it is our recommendation that district supervisors on their regular trips to a county review carefully farm visit reports and check these reports with Farm and Home Plan, Farm Record Books - 187's (Memorandum Record of Clients Account) and the repayment schedule. Those showing doubtful progress should be scheduled for revisits, current farm plans, and recommendations for further supervision.

These cases should be reported with the county monthly progress report to inform state and regional offices, thus permitting full review and fixing responsibility on the regional office to direct follow-up procedure.

What changes should be made in our present technique to improve our effectiveness in dealing with these clients?

1. Increasing personnel to the point necessary to provide satisfactory supervision of all clients, in this way reducing the occurrence of problem cases.
2. Cooperation of FSA supervisors, vocational teachers, county agents and other local agencies in a comprehensive educational program, including farm demonstrations, group meetings and community programs.
3. Assignment of an individual to each county office, where case load warrants such addition, whose duties will be primarily office management, including preparation and handling of all procedural documents and office routine, thus releasing the county supervisors for more supervisory work than has been possible under present arrangement.

What type of follow-up service, if any, appears desirable to give added assurance that rehabilitation has or will be actually achieved? Who should provide this service and in what manner? To what extent can other agencies participate to advantage in assisting problem cases (dropped cases) and paid-up cases?

Let clients know that our services are still available after their loans are paid up. Borrowers should be encouraged to continue using our Farm Plan and Farm Record Book. These forms should be furnished these families upon request.

If supervisors feel that client is not rehabilitated at time loan is paid up, point out advantages and possibilities from further financing.

Give lists of paid up clients to county agents and vocational agricultural teachers. Encourage formation of night school classes with these clients. When a family has paid up, if there seems to be some question as to their stability, they should continue to receive supervision until such time as they are more independent.

They should be well aware by this time of the assistance which can be had from various educational agencies, - Extension Service, Health Service, Vocational Agriculture.

The dropped cases may be eligible for assistance from WPA, Old-Age assistance or other agency. The Farm Security Administration personnel may be of assistance in clearing these families with the representatives of these agencies.

Due to certain amount of confusion in interpreting the various classifications of our standard and emergency borrowers, the Committee recommends that standard cases be divided into three classes:

- (1) Paid-up
- (2) Active
- (3) Inactive

and that Emergency cases be divided into three groups:

- (1) Paid up
- (2) Active
- (3) Liquidated

Discussion:

MR. HUDGENS. I think that is one of the best reports given. I can assure you that you will all get copies of that. I think that we can judge the effectiveness of a supervision program in a community really better by the folks that we drop than by the folks that we carry on through. It is a lot easier to drop a client than it is to think through what has to be done with him. It is a lot easier to be hard headed than it is to be corrective. I think a lot of what we call the collection of the loan shark that we see grows out of a failure to know what to do with the family. I was impressed about two years ago there came in the Regional Office that I was connected with at that time, several suggestions that we are going to drop this man because he isn't a success, but we recommend that he be allowed to keep his chattels and in so doing he may pay off part of the loan and succeed if left alone. We considered that so serious that we brought all the district supervisors to the Regional Office and kept them several days to discuss that one point. Letting him keep his chattels may not be so good.

We found out other things. One district supervisor made a survey of the number of visits that were made to client families. He divided his clients into three groups: the goods ones, the middle size ones, and the poor ones. At the end of a certain period the survey of the visits indicated that the first

group -- the better families -- had received 4.7 visits to every one visit that had been made to the others. Many families that had been dropped had been visited only one time during the year.

This thing of dishonesty. I have seen a lot of families dropped because they stole something. I called one time for some farm plans of some farm families who had been dropped and I found that apparently they had made up a budget of \$250 for one family's living expenses, which, apparently, turned out to be an income of \$220 so they had to do something to make the plans balance. The head of this family stole cotton and he got drunk. From whom did this family learn dishonesty? They learned it from the supervisor because he didn't face reality about the condition of the family. Dishonesty is a social and economic question. By pressure I have seen some areas that have dropped their percentage of dropped clients from twenty-five per cent to less than five per cent of those who left voluntarily. We are in the business of trying to counteract the tendency to failure that we find in people. Oftentimes it is going to take one or two minor failures on the part of a family before they really find themselves and are able to really step on forward. The sort of approach that this Committee is recommending we take represents an infinitely broader view than we had when we started in this thing, but it is getting more and more realistic and more and more we counteract this tendency to failure and in so doing we will rehabilitate families.

COMMITTEE NO. 5

September 20, 1939

Subject for Discussion: Land Tenure

- a. What additional policies and methods should be adopted which will enable low-income farmers who are not eligible for standard RR loans because of inadequate land resources to secure family-size farm units under equitable tenure arrangements?
- b. Recognizing that a solution to the tenure problems of low-income farmers is fundamental to their rehabilitation, what new or additional ways and means can be suggested of employing clients' land tenure?

Members of Committee:

<u>Name and Title</u>	<u>Region</u>
L. L. Scranton, Assistant Regional Director in Charge of RR, CHAIRMAN	VII
Sam A. McMillan, Regional Farm Management Adviser	VIII
Mrs. Florence J. Light, Chief of Home Economics	X
Herman B. Riggle, Acting Chief, Regional Loan and Collection Section	IV
M. E. Hays, Regional Chief, Community and Cooperative Services	III
William Klein, Regional FDA Chief	XII
Taylor A. Prewitt, Jr., Associate Cooperative Specialist in Charge of Health Services	V
H. R. Wood, Assistant Cooperative Specialist in Charge of Health Services	XI

REPORT:

The morning session was taken up discussing the first subject, namely:

A. What additional policies and methods should be adopted which will enable low-income farmers who are not eligible for standard RR loans because of inadequate land resources to secure family size farm units under equitable tenure arrangements?

After much discussion by the Committee of the many types of families in the various areas who were ineligible for standard RR loans because of the lack of adequate land resources, the following types are mentioned as examples:

1. Farmers who are being displaced off the submarginal areas being purchased through the land acquisition program.
2. Farm laborers or tenant farmers either living on farms or in rural communities, who are now no longer needed on the farms where they previously worked because of the use of power machinery.
3. Families living on various small units in localized communities, such as the Spanish American families along certain rivers in the Southwest with only very few acres available which are insufficient for family subsistence, and no apparent opportunity for expansion of acreage.
4. Squatter families living in cut-over areas or areas not suitable for cultivation, who have been displaced from farming due to mechanization or from some other industry, and who are temporarily living in rural communities.
5. Bona fide farmers, either owners or tenants, whose land resources are not sufficient to produce an income to care for the family. In many cases these units may be enlarged. In other cases additional land is not available.
6. Sharecroppers and others of the farm labor group in the South in thickly settled communities where land resources are not available without a considerable amount of relocation or adjustment of farms and acreages.

RECOMMENDATIONS:

It was the general opinion of the Committee that the approaches to the problem of providing more adequate land resources could be generally grouped under the following major headings:

I Relocation of those families where it is obviously impossible to provide suitable units where now located.

It was recommended by the Committee that the Farm Security Administration continue to expand its present policy of acquiring land either through purchase or long term lease to provide opportunity for relocation.

- a. By the direct purchase by FSA or State RR Corporation in the name of the Government.
- b. By the forming of a cooperative association of farmers who would borrow money from the FSA for the purpose of leasing or acquiring land.

It was also recommended that the FSA in cooperation with other agencies of the Federal Government, such

as Soil Conservation, Forestry, Land Use Planning Committees, consider the possibilities of developing a plan with County and State officials regarding the resettlement of publicly owned lands or lands which have been repossessed for tax delinquency, in order to determine the possibilities for use of this land by relocation clients.

II Reorganization and Expansion of present farm units to adequate family size

It is recommended by the Committee that the problem of unit reorganization and the enlargement of it, which seems to be necessary to farm a suitable unit be made the subject of a vigorous campaign. Progress is already being made in many localities in securing the cooperation of land owners in blocking up holdings in such a way as to make a suitable farm unit, and in securing long term leases on an equitable basis, thus assuring the operator of security of tenure and adequacy of land resources in accordance with the general type of farming suitable in that area. The purposes and advantages of such a plan must be understood and acceptable to the operator, as well as to the one or more landlords who may be involved.

III Reorganization and Intensification of production on present unit

It was the opinion of the Committee that in many instances the problem was not that of enlarging the unit, but that the solution lay in the improvement of farming methods and practices on the present existing unit; that is, that the available land resources might be adequate provided that they were used in a more efficient and productive manner. Attempts should be made to assist the farmer in improving his existing unit through the use, for example, of the water facilities program, through the services of the Soil Conservation Service, through better cropping practices, better rotations, improved livestock, community and cooperative services, and the assistance which may be available through the Farm Debt Adjustment Service to reduce the existing indebtedness to the capacity of the Farm.

IV Improving adequacy of present existing unit through the development of greater self sufficiency.

It was the opinion of the Committee that in many cases the existing farm unit was inadequate because of the necessity for large cash income to purchase food, clothing, feed, seed, power, and other necessities. If produced on the unit it would reduce the necessity for cash income to the extent that the unit might be adequate to provide the living for the family. "Live at Home" programs, emphasis on the production of feed and diversification of crops to better utilize the family labor supply might be a solution for the farm unit that might otherwise be inadequate from the standpoint of total cash income.

V General

It was the opinion of the Committee that the whole problem of land resources and farm tenure could be greatly furthered if special personnel in the regional office were assigned to make studies of available opportunities and to actually assist the field staff in working out unusual cases. It was felt that this is the function of the Farm Management Section, and that special personnel for this purpose would greatly speed up the handling of the problem.

VI Continued effort on part of all personnel to help farmers find farms, taking care not to displace real farmers, but retired farmers, deceased operators, etc., in all areas

B Recognizing that a solution to the tenure problems of low income farmers is fundamental to their habilitation, what new or additional ways and means can be suggested of improving their situation?

On the question of farm improvement, it was the feeling of the Committee that the problem was largely one of an educational nature. It is felt that permanent and lasting landlord-tenant relationships and stability of tenure were opportunities for both tenant and landlord to make the greatest realizations from the farm can be accomplished only if all parties have clear understanding of the obligations and responsibilities of each party, and understand also what is being attempted by way of assistance in this program by the Farm Security Administration. Only by a complete understanding of the entire program of the Farm Security Administration and its possible contributions to both the tenant and the landlord can permanent improvement be expected.

The educational program must include all phases of the Farm Security Administration program, including Farm and Home Management, Farm Debt Adjustment, Cooperative and Community Services, and other phases. The following proposals were recommended:

I Joint group meetings of landlords and tenants.

At these meetings the FSA program be outlined with special reference to length of tenure, land improvement possibilities, the responsibilities of the tenant for following good farming practices to improve the soil to keep up repairs on buildings and fences, and to generally improve the farm. The responsibility of the landlord to make necessary farm and home improvements, to permit the use of cropping practices, such as feed crop production and other farm and home productions which will contribute to the successful carrying out of the farm and home plan.

II Preparation of Farm and Home Plans in joint conference of the tenant family, the landlord and the county supervisor, wherever possible, in order that individually each party may be fully aware of the provisions of the farm and home plans.

III In the case of large corporations, such as insurance companies and mortgage companies who are absent landlords, and who have definite leasing and tenure policies in effect, it is recommended that the Washington office or regional office contact the policy making individuals in such organization and explain to them the policy and purposes of the Farm Security Administration. Local agents and local field men are often unable to make adjustments in tenure arrangements of individual farms because of the rigidity of the home office policy.

IV Continued emphasis and stress be placed upon the use of the flexible farm lease. Definite provision should be made in the lease as to the obligations of both landlord and tenant in the matter of farm improvement practices, repairs and care of farm buildings and equipment, etc.

V Service to equity holders who are in danger of losing farms should be given what service is possible through FDA, loans for necessary improvements to help make adjustments in revamping farm organization, supervision and farm planning if possible.

VI Continued effort on part of all personnel to help farmers find farms, taking care not to displace real farmers, but retired farmers, deceased operators, etc. in all areas.

Discussion:

DR. SCRANTON: Other agencies within and without the Department are working on the matter of land adjustment. The problem has already been discussed from certain angles in the Committee this morning. The first Committee discussed the problem of folks without land resources as a result of technological changes. The Committee on grants touched on these folks also. The Committee in its discussion

spent considerable time discussing the problem of the various types of families throughout the country who it appeared had inadequate land resources. I think it is not worthwhile here to discuss the seriousness of the problem. We all recognize it and accept it and know that it is a problem that confronts all agencies. The Committee felt it is one that we could not accept full responsibility for, but as an organization we should make what contribution we could toward helping it. Some of these farmers without adequate resources are located on very small acreages -- sometimes with two or three acres -- and have been displaced from mining or various national economic groups and stranded and restricted in certain areas so that there is not additional land available around them to enlarge them to a family size. In other cases, there is additional land that might be obtained. Throughout the country as a whole there are lots of families of the so called "squatter type" who are trying to find shelter in farm houses that constitute a portion of the problem. Farm laborers and farm tenants who are being displaced because of some of these farms being thrown together, could be handled by all our means and are becoming needy farm families who would make good if they had the opportunity. There are many different kinds of these. It is hard to make specific recommendations for each group. It was the recommendation of the Committee that the approaches to this problem fall into rather well defined groups. In those families where it is obviously impossible to increase their units to family size, there is obviously no additional land there for them. If they are to be placed on units of adequate size, they must be relocated.

The matter of TP is primarily and for the most part a program of education. The Committee felt that the most progress could be made in the improvement of tenure arrangements if it could be made the subject of an educational program throughout the country. Such an educational program should not be limited to the matter of tenure, but upon an understanding of the entire rehabilitation program. An understanding of the entire rehabilitation program is essential on the part of all concerned.

MR. HUDGENS: Mr. Higbee, have you anything to add about the experience you have had out in the Southern Great Plains on tenure improvement? I think it might be of value to others in other parts of the country.

MR. HIGBEE: About the only thing I would like to add is that I have found that the county supervisor can go just as far as he cares to go in getting the kind of lease and the length of lease that he cares to obtain. I feel that there has been a time when the regional office helped the supervisor by backing up his efforts and statements that he will not make loans until more equitable lease arrangements have been made, or by contacting Federal Land banks and other institutions in securing better lease arrangements. Also, in unit reorganization work, the absentee land owner needs to be educated to the kind of a program that is adapted to his land and the conditions, in order to get him to go along with placing his farm under organized management in the unit.

MR. MADDOX: What do you mean by unit reorganization work?

MR. HIGBEE: It is about the same as has been mentioned here. Placing adjacent land or other land not necessarily immediately adjacent to an individual operator into organized management with other land that he is operating. We have two or three very outstanding reorganization programs on farms by adding water facilities or by adding different enterprises as was mentioned in this report. The original thought in our region on unit reorganization was the addition of land to small acreage that was operated by one man.

MR. HUDGENS: Have you had any problems in connection with the handling of the Spanish American families, particularly in New Mexico, that we need to know about in connection with this discussion? Are your land tenure problems peculiar to that area?

MR. HIGBEE: A typical Spanish American has more stability than the Anglo, because his land, even though mortgaged to one of the sheenies over there in the State, is very seldom foreclosed on unless it is a very large and desirable tract. Their land resources have been taken away from them through unethical practices by the Anglos. One of the biggest problems with the Spanish American group is to teach them to follow a cropping unit to increase the production of their subsistence units back to where it was fifteen years ago. Also, I believe it is possible to buy land and make it available for use of families by communities, rather than by individuals, because they are used to working more or less by group action or communities.

DR. SCRANTON: This problem of displaced farmers is getting worse and it is really getting pretty serious in one of our counties last week, in Nebraska, right in the middle of the corn belt, nine teen of our standard borrowers were notified by their landlords that they could not have the farms and they would be farmed by folks who have power machinery. They were told that they might occupy the buildings but they couldn't run the farms. In the same community a well equipped good corn belt farm, with a tenant who had been living on it for nine years and who was apparently getting along pretty well the landlord notified him that he was going to tear the buildings down and rent the land out. He couldn't afford to carry the tax burden. It was a loss to him to pay the taxes on the buildings and he was going to knock them all down. He was not going to maintain the buildings.

MR. HUDGENS: Are there any changes which might be made in the AAA program which would help that situation?

DR. SCRANTON: I suspect there are, but I don't know enough about it to make a sensible recommendation on it. The Farm Management men would be much better qualified to discuss it.

MR. CAPPELMAN: I don't want to attempt to answer your question, but I would like to state a problem that is getting rather serious in our region. If it is not stopped, I feel like it might go all over the South, probably the whole agricultural area of the country. The landlords are making demands on the tenants to force them to turn over all of the AAA payment to them as a bonus, or if they don't require them to turn the AAA payment over to them, they require them to pay cash rent on the land which would practically take up the AAA check. I brought a letter up here with me which indicated that two hundred farmers in one district alone were being displaced for the reason that the landlords were making cash payment demands for leases. This thing is growing in our country until we are at a loss as to just how to compete with the situation. The serious part about it, in most instances, is that it is taking the borrowers that we have located on the best land. I would like some kind of a check on that and it may be that the AAA people may be able to assist in solving that particular problem. It may be that it should have been taken up through the regular channels in the State office in Texas. The same thing applies in Oklahoma.

DR. ALEXANDER: Give that letter to Mr. Maddox.

MR. MADDOX: Has anybody else got a letter like that?

MR. HIGBEE: I would like to suggest that the regional Farm Management people become acquainted with the area agent for the AAA. I think that those people can do more than any other thing to call to the attention of the county committeemen that that practice is not in line with the recommendation. So far that is the only way we have had with the AAA people in attempting to encourage them to enforce some of their regulations. I think that the Farm Management people should be supplied with the names of the corresponding workers in the AAA program serving the area they are working over. Those men that we have come up against in the AAA program will go to bat for us.

MR. CAPPLEMAN: It is not that they sign the contracts and the local committees have anything to do with it. The thing is kind of an underhanded affair in that the contracts go in for the tenant farmer and for the landlord just like they do for any other man, but there is a side agreement between the landlord and the tenant that when he gets the AAA check he will endorse it over to him.

DR. ALEXANDER: That is in violation of the regulations.

MR. HIGBEE: A supervisor accidentally, according to his interpretation, happened into the headquarters at the time they were distributing the checks. Finally, they fired the AAA State Director and it has done more than anything else to straighten it out in that state.

MR. HUDGENS: These are problems that occur in the operation of any program as big as the AAA. The Department is awfully eager to give them anything that will help them in a smoother administration of their program. We would like to have the kind of letter Mr. Cappleman has mentioned from anybody who has this problem in the field. When you send it in, don't generalize too much. Be as specific as you can. We will find that the people at the head of the AAA here are very much interested in listening to what we have to say.

It is awfully hard to prevent side agreements. The landlords have a better chance of getting a loose dollar than the man it belongs to. The longer tenure leases are going to help a whole lot when we get landlords and tenants to thinking in terms of several years instead of one year. It is easy enough to make a side arrangement each year, but not so easy if it is pinned to a contract that is going to last from three to five years. With any prospect of improvement in farm prices, the tendency will be for the landlord to hold on to the land. I think you will find more resistance to longer leases this Fall than you did last Fall. When you establish a policy and are sure you are right, then catch hold and you won't have any trouble in getting by with it as you anticipate. We were told that whole sections of this country would never stand for a written lease and we put down a rule: "No lease, no loan", and it stuck.

MR. ELSER: It isn't exactly in connection with the AAA at all in some areas, at least there isn't so much difficulty with the terms of tenure. There is a growing tendency on the part of the land owner to demand cash rent which insures him an income, regardless of whether the tenant produces a crop or not. At the same time, particularly in some of the irrigated areas, there is competition for land. The people come along and pay just a little bit more than that land will support and we have our borrowers displaced by some d--- fool who can pay a little more than one who is not educated to the fact that he is going to go broke too. It is not one of tenure by a long shot. It has been very easy to get three to five year leases.

COMMITTEE NO. 6

September 20, 1939

Subject for Discussion: Non-agricultural Problems

a. Since the rehabilitation of many clients is greatly retarded by personal, domestic, and psychological factors, what can we do to assist our supervisors to recognize and effectively deal with these purely non-agricultural problems?

Members of Committee:

<u>Name and Title</u>	<u>Region</u>
A. M. Rogers, Chief in Charge of RR, CHAIRMAN	VI
O. E. Overseth, Regional Farm Management Adviser	X
Mrs. Katharine B. Head, Chief of Home Economics	I
D. H. Frazer, Chief, Regional Loan and Collection Section	V
Ben F. Harrison, Regional Chief, Community and Cooperative Services	VIII
Dr. J. T. Googe, Senior Medical Officer	VII
Marion F. Goff, Associate Cooperative Specialist in Charge of Health Services	IV
Dr. Omer Mills, Regional Economist	IX

REPORT:

This Committee believes that it is recognized everywhere within the Farm Security Administration that the rehabilitation of many clients is greatly retarded by personal, domestic, and psychological factors. It is felt that assistance should be given our supervisors to recognize and effectively deal with these purely non agricultural problems.

It is believed that in the past there has not been nearly enough or sufficient emphasis placed on these problems that experience has shown must be faced by Farm Security personnel. Now it appears that everywhere farm and home supervisors are reaching out for guidance in solving non agricultural problems.

The Committee believes that in every case . . .

1. There should be made with the family an early and careful analysis of the family situation which will reveal problems existing and the possibilities of their complete or partial solution.
2. There should be given due consideration to these problems where found to exist in order that their personal, domestic, and psychological aspects may be recognized and the family may be assisted in finding their solution.
3. Any family narrative should show the existing situation with regard to non agricultural problems and further record or reports should show progress or lack of progress in solving them.

It is recognized that in many cases field workers have not had formal training or experience to do this work. The Committee believes that there are many ways in which they can be helped and recommends that

1. The work of the more successful supervisors and home supervisors along these lines be featured at regional, state, and district conference tables and through demonstrations in offices and in the field, thus allowing leadership in this phase of rehabilitation to be developed and good ideas and technique to spread.
2. All available assistance in the area such as the various public and private welfare agencies, public health personnel, doctors, psychologists, religious leaders, and others be used. Workers should know where other existing and potentially cooperative social agencies are available and what their functions are.

3. Response be made to the search for guidance by field workers which is not evident by furnishing them with information on methods of approach, handling of problems, and the necessary recording, through furnishing advisory personnel attached to regional offices, who are capable through training and experience to render such assistance.
4. Literature and study material be made available to personnel.
5. Leave for outstanding individuals among Farm Security Administration personnel for study along social and psychological lines be considered.

Discussion:

MR. HUDGENS: Let's have some discussion of that.

MR. COVERLEY: On several different occasions it has been proposed that we have social workers to actually work with the clients.

MRS. HEAD: We did speak about that. It seemed to be the feeling of the Committee that more training of the people that we now have through some sort of an advisory person or service person in the region would probably be the wisest way of approaching that need.

MR. HUDGENS: Who has had some experience for that kind of training in connection with the home supervisors?

MRS. HEAD: There didn't seem to be anyone on our Committee who was definitely in favor of adding social workers to the counties. We thought the training course should be led by the advisory person.

DR. ALEXANDER: In nearly every case at the state university or the better teacher training colleges in your state, there are people who are quite competent to render this help. I think Dr. Graves at the University of North Carolina would be very much interested in working out some plan by which we could bring help to our supervisors on this point. I think that instead of attaching some additional people to our staff, if we search in the universities within our areas we will find people who can be had. Try to make that approach to the solution of the problem.

MRS. HEAD: It seems to be that we are deficient as home economists in our knowledge of the social approach and that some training would be very valuable to us. We have some people in our region who have had social training. We have two who have not had a full home economics course. They have found that they could reach out to the Extension Service through bulletins and train themselves, but the home economists in general have found it difficult to get the same sort of thing along social lines and we feel something should be provided for them and those who are experienced.

DR. ALEXANDER: Are you thinking of family case training in family case work?

MRS. HEAD: A little of that.

MISS OGLE: I think there is one source that we do not make sufficient use of. I noticed that in the programs planned by the states the use of trained social workers who are in the areas already and the use of the specialists who are already on the state staffs was employed. We have a considerable number of mental hygienists and psychologists in the service of the states and they can be made

use of in training our own personnel.

MISS PROCTOR: I sat in a conference of a county staff about two weeks ago in which the social workers and the farm and home supervisors agreed that the farm supervisors should consider this question of psychological and social adjustments just as the home supervisors did. They outlined at that time the types of things that the social workers could bring to their attention that would enable them to improve their techniques of approaching these problems that they find in the families. At this particular time, they had taken a review of all the problem families in the county. The social workers, in consultation with the two supervisors, study the farm and home plans of those families, discover what problems had emerged, and then on visits to these families study those problems themselves and come back to the county conference and discuss the problems of the families and work out solutions. That is on the basis of training the farm and home supervisors in methods of approach to these problems. Of particular interest in the county has been the fact that TP families have as many social problems as we have throughout our case loads. We do need to make a very definite study. Another thing we have done during the last two years has been to permit our supervisors to study during the summer, recommending that they take work in the department of social case work. We feel that we should encourage them to improve their work along that line rather than to take technical stuff. I believe you will find in your various states available schools of social case work that will be invaluable in assisting you in attacking this very vital problem.

DR. ALEXANDER: A few of our supervisors were in Cornell University summer school working in this field and they reported very excellent opportunities for improvement through the classes that Cornell has offered in their summer school. Some of your people could get in there.

MRS. HEAD: I find that we are being considered by some social agencies to really be social workers, and I consider that a great compliment to consider us one of them. Just recently in New Jersey we were listed as the "Rural Social Agency" in a mimeographed sheet that came to us.

MR. R. C. SMITH: May I make one further suggestion? I think that the regional offices, particularly through the office of the regional chief of home management, should make a further study of the books that are available in this field. I consider this field very largely one of personal guidance and there are some books that are available, although I am not in a position to mention their titles at the moment. If those books were listed and made available to our field personnel, I am sure they would begin the thinking along this line which might be valuable for larger and further study.

COMMITTEE NO. 7

September 20, 1939

Subject for Discussion: Land Use Planning

a. An intensive program of planning for agriculture on a national scale is now getting under way. This program will function largely through county land use planning committees on which our local supervisors will be represented. It is quite possible that the problems of low-income farmers will not receive equal consideration with other economic groups in the planning activities unless our supervisors are prepared to promote and encourage their interests. What types of thinking should be encouraged by our representatives on these committees that will result in adequate planning for low-income farmers, with particular reference to size of holdings, improved tenure systems, better farm organization and management, more intensified farming cooperative enterprises, and debt adjustment?

b. Without consideration of these factors there is danger that many low-income farmers will be displaced, with no provision made for future agricultural opportunities. What definite policies or instructions should be laid down for the guidance of our supervisors in participating in the activities of County LU Planning Committees?

Members of Committee:

<u>Name and Title</u>	<u>Region</u>
Julian Brown, Assistant Regional Director in Charge of RR, CHAIRMAN	V
Lesley S. Sorenson, Regional Farm Management Adviser	XI
Miss Elizabeth A. Rivers, Chief of Home Economics	II
V. O. Collins, Chief, Regional Loan and Collection Section	VI
L. H. Ball, Regional Chief, Community and Cooperative Services	I
Perry S. Richey, Regional FDA Chief	III
R. M. Cole, Cooperative Specialist in Charge of Health Services	VII
Rex Baxter, State Director of Texas	XII

There were also present during the meeting the following:

Rex Williard (FSA)
P. F. Aylesworth (FSA)
K. J. Nicholson (BAE)
R. C. Smith (BAE)

REPORT:

In order that agricultural opportunities may be provided for disadvantaged farm families, and realizing the importance of representation and participation of this large group in county agricultural planning, your Committee recommends concerning:

A. COMMITTEE MEMBERSHIP

1. That county land use planning committees consist of representatives of each important agricultural group within the county as to tenure and economic status (high and low-income farmers, land owners, tenants, laborers and RR borrowers).
2. In addition to the active membership, the committee should call in for counsel and advice, representatives of any and all agencies concerned with rural welfare.
3. The County RR supervisor is a member of this committee and should be active in all deliberations. Home management supervisors should attend these meetings when possible.

B. RESPONSIBILITIES OF COUNTY SUPERVISORS

To insure proper consideration of the problems of low-income farmers by county land use planning committees it will be the duty of the county supervisors to (1) contribute to a complete understanding of the problems of this group and (2) to describe and illustrate the FSA program with particular care to include

all phases of the program, emphasizing tenure systems, farm organization and management, cooperative enterprises, water facilities, health, the live at home program, debt adjustment and loans for land improvement. His duty in this phase is not discharged until the full possibilities of the FSA program are understood by the county committee.

His continued influence must be exerted in the direction of coordinating the FSA program with that of other public agencies and applying the principles of the FSA program to the problems of the low income group.

C. PREPARATION OF COUNTY SUPERVISORS FOR COMMITTEE PARTICIPATION

To better equip the county and home supervisors for this job we recommend:

1. Regional offices make sure that all county supervisors understand their responsibilities in connection with the land use planning committees.
2. County supervisors be supplied with definite information relative to the scope of work of the land use planning committees and the part that they are expected to contribute.
3. Group (state or district) meetings of all FSA employees be held to assist the county employees in approaching and presenting the problem of county agricultural planning as it relates to the Farm Security Administration. State BAE representatives should be encouraged to attend these meetings.
4. State and regional FSA specialists should place in the hands of county supervisors pertinent information relative to their particular subjects which can be used with the county land use planning committees. This information should be shown by graphs, maps, and pictures when possible.
5. The supervisor should make a review of the progress of the FSA program in the county and be prepared to discuss factors of progress or failure as they relate to land use.

D. CONCLUSIONS

The Committee should discuss these problems and point out additional authorizations which the Farm Security Administration might need to solve given problems. Approved recommendations of this Committee should serve as a guide in the administration of the Farm Security Administration program in the county.

Discussion:

MR. BROWN: It was our feeling that the time allotted limited entirely too much the discussion of land use planning. Of course, we pride ourselves that we are one of the agencies who gave first consideration to the people, and it developed in the Committee that many people out in the field had not concerned themselves with this program and these problems because it was the feeling that it was just a program of planning for land. We also found in discussing this subject that there are varying degrees of success and varying degrees of progress out in the field among the various regions and areas as to what has been accomplished by land use planning. It developed that there are a few states, possibly not more than two or three, who have not yet started their land use planning work. There are other states where the work has been going along as well as could be expected. It was the sense of our committee yesterday that the big thing we might accomplish was to focus the attention of this Committee to the problem that might result with people if we aren't conscious of the problem of these people in making our

plans. It developed during our discussions yesterday that in view of the development of the land use program, our information has been rather spasmodic and it has come down in bits at a time. There are probably many of our county people who do not even know that they are supposed to be members of this committee. If they do, they may not know what they are supposed to do as members.

MR. HIGBEE: I would like to ask where do they get the authority to state that the county supervisor has the privilege of voting on the committee? The second thing - at the present time the method of reviewing completed plans in my opinion is not sufficient. I would like to see something incorporated in the report to the extent that the method of reviewing the final draft be given further consideration and a different procedure set up.

MR. HUDGENS: What is the present method of reviewing them?

MR. HIGBEE: I have never been able to find out. As far as I know it is referred to the county committee and the county committee refers it to the state committee and too many times the state committee votes "yes" and "no" without knowing the conditions in the county. It appears that in some way or another that report should be brought before a committee of FSA people before it goes to the state committee.

MR. SMITH: My understanding is that those plans which are developed do go to the state committees and they go as from the whole group supposedly without any approval of any of the agencies represented. I think it would also be supposed that if that particular report from a county committee contained a recommendation with which a county RR supervisor or home supervisor might have to disagree, they would make such a report to their immediate supervisors in the FSA. Now, when the report gets to the state committee, I think the same would be true. They might pass it on to the Washington office as they received it or they might reject a lot of items. Now it might be that if it were passed on by the state committee to Washington, it might contain some recommendations with which the state director of the FSA might disagree. In such event, I should think he might take that up in a report to the regional director so that the regional director could report to the Washington officials of the FSA in order that they would be informed that certain parts of the report did not have the recommendation of the FSA in the region.

MR. HUDGENS: Are there any more points of discussion?

MR. HOLM: I don't want to minimize the responsibility of the county supervisor on the county planning program. On the other hand, I believe that if this county planning program is to succeed and to accomplish what it was set out to accomplish we are asking a lot of our county supervisors. In the first place, the FSA is not charged with the responsibility of administering this county land use planning program and when we are asking our county supervisor to go out there and bear the full burden of it to land use planning committee members' minds, the fact is that theirs is the responsibility of providing an over-all plan for that county which will take care of all the people within the confines of the county and that it is not sufficient for them merely to prepare a plan which will maintain a status quo of the high-income farmer, and we will move out the rest of them and let some other Federal Agency accept that responsibility. I sat in a lot of these county planning committees and it seems to me that a portion of that responsibility should be borne by the agency which is charged with the responsibility of administering the program. I know that there are members of that organization who hold the same philosophy that we do, but if that philosophy could be so thoroughly driven into the minds of their field men who are actually going into the county and more or less directing that work, it would certainly assist the county supervisor because he is put in the position that the first thing that low-income farmers think about is that you are just "tooting your own horn" or trying to look out for your own particular end of the program. I think the problem has a whole lot broader significance than that. I think

that some action should be taken towards securing the cooperation of other agencies, such as BAE and Extension Service, in getting over that philosophy and fastening that responsibility locally where it belongs.

MR. BROWN: I would like to clarify or defend the committee report. We did not sense that the county supervisor bear all responsibility for information for this committee, but it was the thinking of the committee that land use planning committees were probably organized and put in motion because we have a problem that we are more intimately concerned with than any other agency. All we are saying in this report is that our county supervisor will bring to bear on the committee those problems which are of concern to the county supervisor. Now, what's to be done about them after the committee and the local people are awakened to the problem we are facing in this report? I would like to say just one other thing about the participation of the county supervisor. The committee was not so much concerned as to whether the county supervisor has one vote on the committee or not. Our first concern, and the thinking that we tried to emphasize in this report is that the county supervisor use his influence to get a committee that will see this problem that they are working at. If we do that, I don't believe we will need the county supervisor to vote.

MR. HIGBEE: My only point is that it does not go far enough in handling the situation which the FSA is more vitally interested in than any other type of work. Too many times the responsibilities of the county supervisors are so great that they do not have the opportunity to select information necessary to properly present the problem. I am generally in accord with and support Mr. Holm in saying that a little work done with the individuals when presenting the program in the field will save the county supervisor a lot of work in the county. I think we cannot stress too much the importance of getting a little bit of FSA philosophy to the Extension workers and the BAE representatives as they present this information to the committee.

MR. HUDGENS: I have a feeling that everything that has been said is true. Some of the things that have been said may be true, but out of order. Let us get this perfectly clear. We are taking the first step in the direction of a unified county program. Everybody's got to contribute. There's a lot of difference between being decisive and being responsible for your own sector. Our method of getting in is not through a vote. It is through seeing that the county committee knows what we know and that we know what we ought to know. I took one of the Directors of the Liberty League who was absolutely against the New Deal because it was a New Deal and the first half day he enumerated his reasons therefore. The second half of that day I simply gave him facts and told him stories of the sort of conditions that we have. I didn't talk about our program or try to defend it. I simply told him of conditions and when we got through he outlined a pretty good rehabilitation program to meet the needs which suddenly he had come to understand had existed and which he never knew of before. Such a program is the only way in the world we are going to get the county people to see what it is we are talking about. If we are worried about being ignored it is our own fault, not a fault that can be corrected by defending our program, but can be corrected simply by seeing that the people understand the facts. If this ever gets into competition between the Extension Service and the FSA, or between anybody else and the FSA, then we might as well put out the fire and go home because there will not be a unified county program in that county. That is exactly what I was talking about when I said "clear out the level of competitiveness and put it on an entirely different basis clear away from any argument" and then nobody would care whether we vote or not. Instead of a negative suggestion or anything else, maybe you can use your ingenuity to put to that committee some problem that they haven't considered as a problem. For instance, we have got through our credit an opportunity of influencing land use in this committee to some extent, may it be ever so slight. I didn't mean to bring up the question of whether he had to vote or not, but merely wanted to point out the fact that our present instructions to county supervisors are not sufficient at the present time to give them the necessary tools to represent the Farm Security Administration on the county committee.

DR. ALEXANDER: We had a meeting yesterday with representatives of the land use planning group here in Washington. There is in process now a formulation of just such instructions as you have asked for and I hope that they will get out to the field without any great delay. Mr. Higbee is right, we haven't been able to get the instructions out soon enough. There is confusion, and it is not surprising. We spent an hour and a half working and getting started on just what we believe will meet this situation so far as information is concerned.

COMMITTEE NO. 8

September 20, 1939

Subject for Discussion: Community and Cooperative Services

- a. What techniques or educational processes may we employ to best promote general acceptance of the cooperative idea among low income farmers, and the desire to participate in cooperative enterprises as a means of attaining social and economic security?
- b. What should be the attitude of our organization toward the so-called "master borrower" type of enterprise as contrasted with the more truly cooperative enterprise?
- c. In some areas there has grown up a practice of assigning county RR supervisors quotas of community and cooperative service loans. Failure to fill these quotas is considered a reflection on the supervisor's record. Is this practice desirable in the sense that it is good planning and contributes to the sound advancement of the Community and Cooperative Services program?
- d. There is obvious need for guidance as well as a more effective means of protecting clients in purchases made with loan funds. How and to what extent will the adoption of standards accomplish this objective? What type of organization, if any, is recommended as the vehicle for educational and business activities?

Members of Committee:

<u>Name and Title</u>	<u>Region</u>
J. B. Slack, Assistant Regional Director in Charge of RR, CHAIRMAN	IV
Floyd F. Higbee, Regional Farm Management Adviser	XII
Miss Lelia C. Ogle, Chief of Home Economics	III
Walton Dodge, Chief, Regional Loan and Collection Section	VII
Wm. A. Anglin, Regional Chief, Community and Cooperative Services	IX
Arthur L. Gabler, Regional FDA Chief	VI
K. E. Pohlmann, Associate Cooperative Specialist in Charge of Health Services	I
Bendix L. Lorensen, Regional Chief, Community and Cooperative Services	X

REPORT and DISCUSSION:

- a. What techniques or educational processes may we employ to best promote general acceptance of the cooperative idea among low-income farmers, and the desire to participate in cooperative enterprises as a means of attaining social and economic security?

"The first essential in successful education of low-income farmers to the cooperative idea is understanding, training, and education of our own personnel in the importance of the group action of all kinds as one of the tools of rehabilitation. By cooperative activity, we mean voluntary participation of all members within a family or groups of families in any group effort which concerns their educational, social, and economic welfare, resulting in preservation and perfection of the democratic ideal."

DISCUSSION BY MR. SLACK:

It was very clearly brought out in the committee that in some sections of the country at least there are a lot of people who have only a narrow conception of cooperation when expressed in the agricultural field, and think of it only in terms of the failures of some of the principal marketing cooperative associations that have been established and have failed in many sections of the country.

DISCUSSION ENDED AND READING OF REPORT RESUMED:

"In bringing about the education of FSA personnel and of our clients, the various segments of the FSA organizational set up should have specific responsibilities.

"There should be group discussions of our own personnel in the Washington, the regional, the state, the district, and the county offices, and between the personnel of these offices, in order to gain the greatest benefits from group discussion on the possibilities of group action. It may be necessary to unlearn conceptions or prejudices acquired through past experiences. To facilitate these discussions, the Washington staff should prepare exhaustive discussion outlines, including historical background and development of the group activities, as a basis for a broader understanding and application of the cooperative idea. Any outstanding success, difficulties, or techniques developed in group discussions should be reported to the Washington Office for the benefit of other regions. All personnel should be fully trained as to the proper use of specialists."

DISCUSSION BY MR. SLACK:

A whole lot of instances have arisen in practically every region and in every state where the use of the community and cooperative services specialist of the farm management specialist or some other kind of specialist has been clearly misinterpreted, and we have thereby nullified the place of that specialist in our organizational set up. We feel that in considering this particular question, there is particular need for emphasis on the point of training our personnel to fully realize and properly use the specialist group.

DISCUSSION ENDED AND READING OF REPORT RESUMED:

"We recommend the designation of certain areas where special emphasis will be placed upon establishing group activities of any or all kinds."

DISCUSSION BY MR. SLACK:

Realizing in many instances that county supervisors are fully loaded and carrying on all the work they possibly can, and in order to fully explore the possibilities of the cooperative field, we thought it well to recommend that certain areas might be designated, be they a part of a county, an entire county, or a group of counties in which we could put forth special effort in order to fully develop any of the cooperative work that could be developed in that particular area.

DISCUSSION ENDED AND READING OF REPORT RESUMED:

"Farm and home management and other specialists should make greater use of group services in developing plans for a stable agriculture for any area."

DISCUSSION BY MR. SLACK:

So far we have touched mainly on this thing of training our own personnel, and the balance of this particular topic is treated from the standpoint of measures and techniques that county personnel can and should use in developing this cooperative field.

DISCUSSION ENDED AND READING OF REPORT RESUMED:

"We recommend that the county personnel go as far as possible in employing group discussion as one of the techniques in arousing the interest of low-income farm families in participating in group activities. The FSA personnel should be encouraged to select and use all materials, especially visual aid materials, available from this and other agencies, and prepare it for use by families in group meetings.

"In developing the Farm and Home Plan with each family, the county personnel should give consideration to the maximum use of group services as an effective means in rehabilitation. They should constantly be on the alert to recognize common problems and assist the families in working out a solution to these problems through group action."

DISCUSSION BY MR. SLACK:

We realize that for any group to work together successfully and to make progress that group must have a common problem or a common goal toward which they can work. If we have that common goal or common problem our chances of succeeding in getting these people to work together is going to be much greater than if the interests of the group are divided. The factor will determine to a large measure the size of cooperative groups that we are trying to bring together. In the next item we have touched on Brown's field just a little bit, but we felt it was important that it come in.

DISCUSSION ENDED AND READING OF REPORT RESUMED:

"As members of the county land use planning committees, RR supervisors should recommend in their work with such committees the importance of group action wherever possible."

DISCUSSION BY MR. SLACK:

For the most part, that may be in terms of group services, but we feel that the county supervisor will have an opportunity to contribute to a large measure to these committees this idea of group action in county land use planning work carried on in these committees. I for one certainly feel that unless county supervisors take an active part in these committees the FSA is shirking a duty that it has in bringing about a unified program of agriculture wherever these county land use planning committees are set up.

DISCUSSION ENDED AND READING OF REPORT RESUMED:

"County personnel should make effective use among clients of information and experience gained by groups having a common problem which has been solved through group action."

DISCUSSION BY MR. SLACK:

There we have in mind simply passing on to the groups of farm families that supervisors work with the information as to how other groups in other states and other counties have met those same problems. That again comes back to the progress of these activities from one region to another that was mentioned earlier in this report.

DISCUSSION ENDED AND READING OF REPORT RESUMED:

"Supervisors should take every opportunity to exhibit or have farm families visit existing successful co-operative enterprises.

"Supervisors should use every opportunity to encourage low income farm families to participate in existing cooperative enterprises or group services which will contribute to their rehabilitation."

DISCUSSION BY MR. SLACK:

in other words, if a loan is being made to establish a service and the benefit of that loan is going to accrue solely or almost solely to the benefit of the person receiving the loan, then unquestionably in our opinion, that loan should not be made.

DISCUSSION ENDED AND READING OF REPORT RESUMED:

"b. What should be the attitude of our organization toward the so called 'master borrower' type of enterprise as contrasted with the more truly cooperative enterprise?"

DISCUSSION BY MR. SLACK:

We were almost tempted to give a flat "no" to that question and pass it on, but we did decide to develop it a little more fully so as to give the group the benefit of the committee's thinking on the question.

DISCUSSION ENDED AND READING OF REPORT RESUMED:

"The more truly cooperative type of enterprise should be given preference to the master borrower type, if the more truly cooperative type will serve the purpose of promoting group action to a greater degree than the master borrower type. The master borrower type enterprise should not be made as a cooperative loan unless it brings definite advantages to other low income farmers in the community. (The membership of this committee, with one exception, feels that the master borrower type enterprise has a very definite and advantageous place in our rehabilitation program and should be continued as a policy of the Administration. In the opinion of the dissenting member of our committee, the establishment of the master borrower type of community service is the direct opposite to the development of a true cooperative and should be permanently discontinued as an Administration policy, as it, to a very great extent, retards the normal growth of true cooperative activities and tends to defeat the broad objectives of our Farm Security Administration program.)

"c. In some areas there has grown up a practice of assigning county RR supervisors quotas of community and cooperative service loans. Failure to fill these quotas is considered a reflection on the supervisor's record. Is this practice desirable in the sense that it is good planning and contributes to the sound advancement of the Community and Cooperative Services program?"

"The full assumption of the responsibility of county supervisors carries with it the use of all available devices in assisting low-income farm families. In the normal discharge of their duties the county supervisors should constantly observe opportunities where community and cooperative services can be effectively incorporated in the rehabilitation of farm families. This will result in the normal utilization of available loan funds in the most efficient possible manner and will eliminate the necessity for allotting quotas of community and cooperative service loans.

"Wherever there appears to be some need for stimulating the use of community and cooperative service loans in the area served by given supervisors, this interest should be stimulated by the use of specialists or other personnel assisting the supervisors to analyze and compare the conditions in their areas with other areas having similar conditions and which areas have made good use of community and cooperative service loans.

"d. There is obvious need for guidance as well as a more effective means of protecting clients in purchases made with loan funds. How and to what extent will the adoption of standards accomplish this objective? What type of organization, if any, is recommended as the vehicle for educational and business activities?

"The adoption of standards will aid in the accomplishment of this objective and we recommend that such standards continue to be worked out by the Washington staff and presented to each region for any necessary revision to meet local conditions. Such revision should be worked out with the assistance of representatives of agricultural colleges and experiment stations. For education and business activities, it is recommended that there be set up non-incorporated associations of clients through which education as to desirable standards of commodities to be purchased may be carried on with client groups. Wherever necessary or advisable, they select committees to recommend standards, investigate sources of supply, and make purchases for the group. It is recommended that wherever possible and practicable purchases be made through the established channels of trade. Wherever there is an existing cooperative furnishing products which meet the standards desired, use should be made of these cooperative facilities."

DISCUSSION BY MR. SLACK AND OTHERS:

MR SLACK: There has been considerable feeling on the part of many people throughout the organization that the master borrower type of loans being made are not in any sense of the word cooperative loans, and it certainly developed in our committee that there is by some individuals at least a very strong feeling that the master borrower type loan should be done away with entirely for the reason that it is not a truly cooperative set-up and is retarding the progress that we would otherwise make if we were just to rely on true cooperative loans and set-ups.

MR ANGLIM: I would like to support the dissenting member on the committee that in Region IX we don't consider master borrower types of loans in order to assure cooperation as expressed in that report. As long as our Assistant Regional Director and Regional Director are not here, we want to express the opinion that we don't accept any other type of cooperative except under very extenuating circumstances. I believe there are over 80 per cent of our community and cooperative services loans which have more than one borrower.

MR MILLS: I would like to ask somebody to tell me what are the advantages that make the master borrower type preferable to the cooperative type. I myself have a very strong preference on the other side for the reason that it does have an effect upon the thinking, the attitude, and the philosophy of our farm people and will probably break down some of that resistance which Dr. Alexander referred to the other day.

MR. LAMB: I got up before a meeting of 150 farmers and explained the master borrower type and the joint ownership type. The result was that in that particular community they have the most community and cooperative loans of any county in the region today. Most of them were made in the spring and are the master borrower type. To me, that simply points out what the farmers themselves want. I think that the master borrower type does have its place in sire services and in some types of machinery. I lean towards the joint ownership type because it is more equitable for all parties concerned. However, I think that there are some advantages in the master borrower type. I don't like the term "truly cooperative"; I would like to use the words "thoroughly cooperative" instead. There is a place for this other type of thing too, but I would like to say, "Let's be somewhat cooperative, but not go all the way down the line so that folks will say that it is 'cooperatism.'" On this small stuff between two or three farmers, what's the difference? Why not give them what they want?

MR. SLACK: If I may further answer that question, I would like to give the views of the various members of the committee, and if I do not correctly state this thing, don't hesitate to say so. I think it was brought out in our discussion that there are many good factors of cooperation in the master borrower type service if it is approached in the right manner. If the thing is approached by way of letting an individual who decides he wants a tractor or a pure-bred sire, or some piece of machinery which he cannot afford to use solely on his farm, come in and ask for a loan and the county supervisor approaches the situation by giving this applicant a participation agreement and saying to him, "If you will get enough of your neighbors to sign this participation agreement showing that the loan will be sound and self liquidating, we will make you a loan." Now, there is no element or a very slight element of cooperation in handling the thing in that manner. On the other hand, if the county supervisor says, "all right, I will come to your community and we will get together with your neighbors and explain this whole thing, and if they will agree to cooperate among themselves and with you in order to bring this service to the community, then all right, we will make the loan." If it is handled in that way it certainly does have some element of cooperative action behind it and has some virtue in cooperative or group action. In many sections we have found in our region that it is hard, if not virtually impossible, to get groups of farmers to come together and be responsible for their pro rata share of a thousand or a twenty five hundred dollar loan in order to establish some kind of a service in that community. They are perfectly willing to support the service and pay a reasonable fee for its use, provided that service is to be the responsibility of some individual who will feel his responsibility and take care of that investment. It is not the fact that they aren't willing to carry their share of the loan, but that they want to definitely and ultimately tie down the responsibility for the successful operation of that particular service whatever it may be. That is especially true in the use of heavy machinery, such as, tractors, combines, and the like. Very few individual farmers in many sections want to invest their money or to become responsible for any portion of a loan unless that responsibility can be tied down more definitely than they feel it can be tied down through the joint-ownership method.

MR. ELSER: Isn't the same thing true with certain sire associations where heavy corrals are necessary?

MR. SLACK: Yes, that's right.

MR. HUDGENS: I don't believe we could lay down a blanket instruction to say yes or no to this. In some sections, apparently, the master borrower has a place. I think it is probably our best contribution to the cooperative movement to get it fixed in our minds that the master borrower loan isn't a cooperative. Has the committee given any consideration to the mechanics of educating our own personnel on coops?

MR. SLACK: We did not set down any specific recommendations on that. We discussed it somewhat but did not have time to go very far. We finished up our rough draft of this thing at 6:16 P.M., and at 8:30 we met to edit the thing.

DR. GREAVES: I think we have approximately 750 cooperatives in Utah, but very few master borrowers. I don't think we can lay down a hard and fast rule as to whether they should or should not be master borrowers. I think we have got to keep in mind the fact that what we are trying to do is to rehabilitate that family in its relationship to the community in which they are living. If we can bring about the thing which we have been striving to get over in this conference -- that of cooperation -- then I think we should encourage by all means this cooperative ownership. In other words, I feel that the report that has been given is very well written, but we can strike a happy medium which will serve a purpose for rehabilitation and meet those things to a greater extent than by going from one extreme to the other.

MR. ELSER: I am wondering if we revise our thinking and perhaps our terminology we can satisfy nearly everybody and not recognize the master borrower type as a cooperative, but as a rehabilitation service. You spoke about the county supervisors doing it perhaps because it is easier. I think so far as Region X is concerned, this is not true in very many cases, but looking at the thing from the standpoint of government interest and of FSA interest, it may be necessary from the standpoint of security and from the standpoint of collections. I am not one who feels that conditions are different in various areas. I am quite certain, however, that the quantity of the condition does differ and in our region one of the factors that influences particularly the tractor type and the heavy machinery type is the transfer of cases -- the short tenure of some of our people, and the difficulty of getting repairs on these joint ownerships. A good many of them are gone before the supervisor knows they have left the county, and you have got some liquidation there that is necessary that just cannot be accomplished. Our mechanics of handling the cooperatives in certain areas with certain types of equipment is not yet wrapped up so that the supervisor can do the job that is expected of him along all lines.

MR. HUDGENS: What has been developed in the way of visual aid in cooperative education?

MR. SORENSON: No actual results to report at this time, but we think that it offers a great possibility. For instance, we have chosen as our first topic a true visual education -- a live at-home program -- and it is our thought that the supervisors as they go about from one farm to another will all have an opportunity of taking pictures to illustrate the various phases of that program. We had hoped to use this in slides or film strips. In a meeting the clients get sleepy, the same as we do when some of these other folks are talking here, and if we can throw these pictures on and things that they understand, we think that they can go home and know something which they wouldn't understand from reading. Another topic we thought we could develop through visual education is the matter of community and cooperative services, at all times taking advantage of the possibility of throwing in comparisons of cost, and pictures, and going back to the live-at-home program. I would like to hit the thing that Dr. Taylor and Miss Proctor talked of this morning. Dr. Taylor said that if the economic system was not working and they needed milk, they should have a cow. We might show the picture of a rosy-cheeked youngster that is being nourished on the farm, and another one that isn't because they don't grow these things on the farm.

MR. SLACK: In answer to your question on recommendations regarding the training of our own personnel, I overlooked the very first suggestion that we made and that was group discussions among our own personnel. I think it is very important and one of the best ways of developing our personnel.

DR. GREAVES: County fairs have done as much as any one factor to promote cooperation.

MR. HARRISON: I am favorable to the joint ownership type and prefer it to the master borrower type.

MR. HUDGENS: What literature are you using in connection with cooperatives? Have you found the need for some simple form of literature? The Information Division is giving thought to the development of something simple enough for a State Director to understand. The idea has been to develop something that you could pass out to borrowers that would vary the idea probably by progression. We would like to have some discussion of that.

MR. SLACK: There was one suggestion made in our committee yesterday that we didn't put down, and that was going into a given area and making a thorough analysis and study or writing up a short concise complete story of the operation of some of these services in a given state, be they cooperative type services or the master borrower type.

DR. GREAVES: We did something in a couple of our counties last year that was very successful. The county supervisors took pictures of the pure-bred sires in a particular county. The animals were on display at the County Fair. They wrote up along with the pictures the butter-fat production and you would be surprised in how much time the farmers in that county spent in going over that booklet. We called it a scrap book. They have done the same thing this year in several other counties.

DR. ALEXANDER: I think we have discussed this less effectively than anything we have discussed today. The important thing is whether we know how to educate our own staff to meet their responsibilities, and we hope to get some help here. We have still got the job of finding out what are the materials and what are the methods by which this thing can get done. I have thought of the discussion method as it has been so widely used in this committee. I used to think that Mr. Harrison felt that if you emptied the contents of one empty barrel into another empty barrel you had a full barrel. We have got to have this group think through some time the method by which this education process can be carried on. We have tried to do it and we didn't get anywhere. Therefore, I put the responsibility back on this group to tell us how to create it.

COMMITTEE NO. 9

September 20, 1939

Subject for Discussion: Improvements in Organization

Realizing that the constantly increasing volume of work, particularly in county offices, is creating an acute administrative problem, what recommendations can be advanced for reducing the work load without sacrificing any essential function or materially increasing costs. Comment is especially desired on

- a. Consolidation and elimination of forms and reports.
- b. Further "streamlining" of mechanical processes.
- c. Simplification of procedure.
- d. Desirable readjustments in form of organization and administrative relationships.

Members of Committee:

<u>Name and Title</u>	<u>Region</u>
Carl N. Gibboney, Assistant Regional Director in Charge of RR, CHAIRMAN	III
Dan Paddock, Regional Farm Management Specialist	I
Miss Sue H. Taylor, Chief of Home Economics	IV
M. R. Howard, Chief, Regional Loan and Collection Section	IX
J. F. Machotka, Regional Chief, Community and Cooperative Services	II
Clarence I. Cowden, Regional FDA Chief	V
Henry E. Dvorachek, Regional Farm Management Adviser	VI
A. A. Glenn, Associate Cooperative Specialist in Charge of Health Services	XII

REPORT:

Attempt will not be made to differentiate or divide suggestions according to the divisions suggested in the question as in many cases recommendations and suggestions cover more than one part of the question.

We recommend that the use of Loan Agreement, FSA RR 15 be eliminated in the interest of efficiency since this form does not have legal status. Information contained in this form can be obtained from the Farm Plan and voucher. The voucher, we understand is now being revised.

It is recommended that the duplication of information on Forms FSA RR 12, 14, and 89 be eliminated in line with efficient operation of the county office and in keeping with maximum use of forms as teaching devices.

In general, it was the consensus of this Committee that within limits of the necessity of obtaining national uniform progress reports that deviations to meet local conditions in the matter of farm and home plans and record books should be permissible; such forms should have the approval of the Washington office before being placed into official use. And further, the Committee feels that instructions accompanying the annual progress report should be specific and in sufficient detail to eliminate misunderstandings and misinterpretations.

It is recommended that an attempt be made for the consolidation of Forms FSA-LE 90 and FSA-LE 99, Application for Release, and Release, in those states where legally possible. This consolidation will eliminate much clerical work having no bearing on supervision in the county office.

It is imperative, the Committee believes, that consolidation of FSA and Corporation accounts in the Finance and Control Divisions be completed at the earliest possible date in all regions. A sound loan servicing job cannot be accomplished until all accounts of one client are placed on one bill.

In the matter of application of repayments to the various accounts of the clients, the Committee wishes to advise that procedure be so designed that the 187, Memorandum of Accounts, in the county office reflect the real status of the clients' accounts. Accurate records of clients' accounts in county offices is more important than convenience in bookkeeping in regional offices.

The Committee is of the opinion that Forms FSA RR 138, 184, 185, and A29 (U. S. Treasury Form) can be combined into one form which can be used for all types of change of address, whether within the county, between the counties, between states or between regions. This form should include space for information as to the clients' accounts and security.

The Committee recommended that Form FSA-RR 139, Report on Repossessed Property Pending Acquisition of Title, be entirely eliminated from use. This form, in the opinion of the Committee, is not necessary and is throwing an unnecessary burden upon county offices. District RR supervisors should determine the status of repossessed property on each visit to the county office.

If Form FSA-RR 170 when used in reporting Corporation Inventory not for sale were made on an annual basis rather than on a semi-annual basis as required at present, some unnecessary activities in county offices can be eliminated, the Committee suggests.

In view of the impetus to the use of the Community and Cooperative Services program given in this conference, the Committee suggests that the Form FSA-RR 23 having to do with cooperative services no longer be forwarded to the Washington office. The work entailed in the county and regional offices in forwarding the copies to the Washington office, plus the burden of auditing these forms in the Washington office is not in the interest of efficiency, in the opinion of the Committee.

The Committee believes that Form FSA-RR 178, which is a report on the status of a cooperative loan, should be limited to reports requested by the county supervisor from the caretaker of a community service and then only as the activities of the service would warrant. Some Associations would report annually where the operation is only seasonal and others more frequently where the operation is constant throughout the year. This suggestion, in the opinion of the Committee, will allow emphasis to be placed upon teaching of cooperative principles rather than upon reporting of details of operation. Information now available in the Client Record Section will furnish information desired to the regional and Washington C and CS Section. By this means we can eliminate much typing and clerical work in county and regional offices caused by the requirement of furnishing copies of the 178 report to the regional and Washington office.

The Committee further feels that the use of the Form FSA-RR 120, Report of Formally Organized FSA Associations, should be required only quarterly of Associations unless specifically requested more frequently by the Regional Director. This should permit reports to be made in line with activities of the Association.

The Committee favors the delegation of responsibility to county and district offices as a general policy, with regional and state personnel spending much of their time in training and assisting district and county personnel in the field. It should be our objective, in the opinion of the Committee, to train field personnel so that they can assume more responsibility, thus eliminating duplication and unnecessary checking. An example of the type of delegation which should result in more efficient operation and a sounder program, is provision for approval of farm and home plans in county offices by district supervisors, with only a spot check of loan dockets in the regional office. The purpose of the spot check should be to determine how policies are being interpreted in the field and render assistance where needed to district supervisors. Likewise, dockets for renewals and extensions should be made up in the county office and approved there by the district supervisor. The Committee also feels that authority for 60 day forbearances should be delegated to county supervisors and that district supervisors should be delegated authority to approve forbearances up to six months. In general, operations involving a large volume of work entailing the exercise of judgment should be carried on at the field level where adequate consideration can be given to decisions and where more information is available.

In the interest of efficient operation, the Committee recommends that any procedure dealing with new forms or revision of present forms should not be released until the forms or copies are made available to the field. The Committee suggests that upon request of the regional office, copies of the various procedure manuals be made available for distribution to personnel who are in need of the manuals but have not been supplied through some error or the manuals have been lost.

A clearer understanding of the principle of the vesting of responsibility for administration of the county office in the County RR Supervisor, but the equal sharing of responsibility as between RR and HM Supervisors for educational and supervisory functions of the program would be most helpful in regional, state, district, and county offices.

The Committee feels very strongly that in order to release the county supervisors for supervision, that a study of the clerk-typists job be made in view of reclassification in line with administrative responsibilities.

The Committee pointed out that travel fund allotments to technical and supervisory personnel in many cases do not permit efficient functioning of this personnel in the field. It is recommended that a study of this situation be made in view of possible efficiencies in the use of travel funds and of obtaining additional funds where imperative.

Careful consideration should be given by each Regional Director to the matter of reports required of county, district, and state offices with the view of elimination and consolidation of reports. The Committee feels that this matter is particularly important. Likewise, request for reports and information for the Washington office should be held to a minimum and regular reports discontinued as soon as the information desired has been obtained or its value becomes obsolete.

The Committee entered into considerable discussion with regard to organization of regional offices. The Committee wishes to report only the discussion that took place without recommendation or approval. It was suggested that as an alternative to the present organization, divided as between the Rural Rehabilitation and Resettlement Divisions that the regional organization be set up, dividing the responsibilities as between administrative and technical lines. This suggested organization then, would be made up of the regional director with two assistant regional directors. One assistant regional director to be designated as Administrative Assistant Regional Director who would be responsible for administrative and fiscal matters. Under the jurisdiction of this Assistant Regional Director would come matters of budget, personnel, and fiscal phases of loans, collections, and business management. The other Assistant Regional Director would be designated as Assistant Regional Director for Program and Technical Supervision. Technical personnel would be responsible to this position and it would be his duties to develop a program and coordinate the activities of technical personnel with a view of rendering greatest assistance to county and district personnel. Obviously the Committee had no time to give this very important matter more than passing consideration.

Discussion:

MR. HUDGENS: If you have any other suggestions for amendments of reports, changes or eliminations of reports, if you will add them to what the Committee has given, I believe that in the frame of mind the Administrator is in, he will do something about it.

MR. O'HARA: I am in hearty agreement with any efficient method of combining forms and eliminating forms. However, I would like to throw in this thought. I think that many times properly conceived forms can save us time rather than waste time. It is going to mean a lot of letter writing and details back and forth if we eliminate too many forms.

MR. HUDGENS: This report will be turned over to the Administrator

DR. ALEXANDER: I doubt if a more constructive thing has been done for us in a long time than this report. I want to express to the Committee the appreciation for this because it comes just at a time when we are struggling with that thing and this report will be very helpful.

COMMITTEE NO. 10

September 20, 1939

Subject for Discussion: Living Standards

What new approaches can we make to the improvement of the levels of living of low income farm families, taking into consideration the following:

- a. Developing families' skills in arts and crafts: developing supplemental incomes through encouraging native ability, initiative, and resourcefulness.

- b. Improvement and adaptation of rural education, to a better preparation for rural living.
- c. Participation in cooperative activities.
- d. Recreation and community participation.

Members of Committee:

<u>Name and Title</u>	<u>Region</u>
James H. Dance, Assistant Regional Director in Charge of RR, CHAIRMAN	II
William LaRue, Regional Farm Management Adviser	IV
Miss Erna E. Proctor, Chief of Home Management	V
J. F. Durand, Chief, Regional Loan and Collection Section	X
R. J. Murray, Regional FDA Chief	VIII
Erwin S. Kaufman, Assistant Cooperative Specialist in Charge of Health Services	III
Lionel C. Holm, Regional Chief, Community and Cooperative Services	XII
Miss Martha D. Dinwiddie, Chief of Home Economics	VI

REPORT:

After careful consideration of the topic assigned, the Committee agrees that there is a tremendous need for the development of family skills, but that this need goes far beyond just the arts and crafts as ordinarily thought of. We believe that the development of family skills should be approached from two standpoints: (A) Economic, and (B) Social.

A. ECONOMIC

We have to think of the development of skills in activities other than just arts and crafts as ordinarily thought of. We must realize that we must not do too much wishful thinking and place too much emphasis on just the economic value of such arts and crafts. From an economic standpoint we should give more attention to the development of skills that heretofore have not been thought of in connection with the general discussions of this topic. First, we should think of developing the skills for use on the farm and in the home for which there is unlimited need and demand as against developing skills for which we might have to develop a market. The skills for which there is an unlimited demand on every farm and for which a market does not have to be developed are such things as the training of our farm people to provide the following:

I First, Necessities of Life

We recognize the fact that the possibilities of providing the necessities of life have not been exhausted due to the fact that we have not had the personnel thus far to bring the benefits of this phase of our program to even a respectable percentage of our clients, and therefore, we must continue to emphasize the value of providing these family living requirements to our clients, and necessary personnel should be added to accomplish this work. We recognize that the providing of these well-known necessities of living to meet minimum standards include: (1) the production, conservation, and storage of food; (2) the construction of clothing; (3) shelter; (4) simple sanitation; and (5) home furnishings.

II Second, Things That the Farmer Generally Buys but which He Could Provide for Himself if He Had the Skill

1. Repair and up-keep of farm machinery.
2. Repair and up-keep of buildings (Such as painting of buildings, repairs for safety to the home and farm buildings, and removal of fire hazards).
3. Construction of necessary home furniture and furnishings, and farm equipment.
4. The butchering, preparation, and preservation of meat on the farm.
5. The up-keep and maintenance of farm land.

III Third, The Development of Skills That Would Contribute to an Economic Soundness of the Operating Unit and Would Supply Goods and Satisfactions that the Family is Now Doing Without.

1. More adequate food and clothing, home furnishings -- by this we mean a supply beyond the bare essentials that will contribute to a more satisfactory level of living and increase the efficiency of the family.
2. Repairs and construction representing largely the use of available labor with the minimum of purchased materials -- involving the utilization of native materials such as timber, adobe, stone, and lime in the construction of farm and home improvements which would contribute to a greater living comfort and more efficient farm management
3. More adequate sanitary facilities.

B. SOCIAL

From a social view point we believe that the development of skills in arts and crafts is fundamental to an improved culture and social development of the low income farm families. Articles which contribute to the comfort or beauty of the home or its surroundings have an important place in raising the level of living from both a cultural and social standpoint. In making these articles the individuals secure satisfaction as well as developing skills. Eventually when enough skill in execution has been acquired, the products so produced acquire sale value. In order for the personnel to carry on this type of education, appropriate training must be provided.

Supplemental Income

The Committee was unanimously agreed that the possibilities of supplemental income must be explored and developed to the maximum. We recognize also that the limitations of supplemental income other than from arts and crafts are largely the limitations of ability, initiative, and resourcefulness in general of the low income families and also by the numbers, vision, and skill of the supervisory force. We must realize that we have advanced to a certain degree along commercial ways of living and cannot go all the way back to where the family is entirely self-sufficient as an isolated unit, but that there are certain things for which an expenditure of cash is necessary. We must explore the possibilities of supplemental income, bearing in mind that these sources of supplemental income must not conflict with the primary objective of the farm enterprise which is a better Agriculture, and a more satisfactory farm life.

In many regions there are markets for special contract crops or agricultural commodities that require a lot of intensive labor and some skills that do bring considerable additional revenue so badly needed by this low-income group. The production of these contract crops would not go beyond the use of available family labor. The interest of individual clients in unusual enterprises should be encouraged as long as they are reasonably sound.

Supplemental income can be augmented very materially through exchange of services and commodities by decreasing cash expenditures.

In certain areas possibilities of supplemental income through the revival of certain primitive arts and crafts which have economic, artistic, and cultural value, such as wood carving, cabinet work, hand-wrought iron, basket making, weaving, etc. The successful development of arts and crafts as a supplemental income must necessarily be dependent upon the creation of high quality articles having either artistic or utility value which will enable them to appeal to the purchaser when presented for sale in surroundings apart from the sentimental associations of their place of origin.

There is likewise supplemental income to be obtained from the processing and direct sale to the consumer of farm products which in their finished state will return an income sufficient to compensate for the labor requirement over and above that which can be received in its raw state as is usually done. There is a market for such products as jellies, jams, bakery goods, etc., if of high quality and attractively packaged.

Improved grading, packing, and marketing is an important factor for additional income by this low-income group.

Rural Education

We recommend that County Planning Committees be organized whose job it shall be to discover the needs of rural people in their counties and to set up ways and means of meeting these needs through improving and adapting rural education more nearly to the needs of the people. These committees should include leading farm men and women, County Superintendents of Schools, rural school teachers, and representatives of other agencies serving rural people. Efforts should be made by FSA farm and home management supervisors to bring rural agencies, particularly the schools, into a more intimate contact with the problems of these people and then adjust school curricula to more adequately meet the needs of the people.

We recommend that attention of the proper Section of the Bureau of Education and land grant colleges be called to the need for training of personnel for service in rural areas in the understanding of present rural problems and methods being used to overcome them. We believe it important that rural children at a very early age be made to appreciate the meaning of soil conservation, reforestation, land use planning, and in general, the conservation of all natural resources as well as an understanding of agricultural credit, cooperative opportunities, use of farm and home accounts, and other topics incident to good farming and farm life. Also, there should be brought to these rural children, opportunities to gain appreciations and acquire many of the skills now taught only in more advanced schools.

We further recommend the promotion of small study and discussion groups for the purpose of educating rural people in understanding and solving the problems confronting them.

The Committee recommends participation of boys and girls of low-income farm families in 4-H Club activities and projects promoted by teachers of Vocational, Agricultural, and Home Economics. We recommend

that a further advantage be taken of the Administration's policy of making available loans for this participation. The same policy holds true for men and women in regard to activities offered by the Extension Service, Vocational Education, and other educational agencies.

We recommend the appointment of a member of the State Board of Education as a member of the State FSA Committee wherever possible.

Participation in Cooperative Activities

While participation in cooperatives in itself is not a new approach to improvement of the level of living, the committee does feel that a new approach should be made in presenting the social and economic advantages of cooperative effort.

This should be approached through discussions by groups having common interests and needs in order that they may become aware of those needs and the possibilities of supplying such needs through group action initiated by the group itself. The establishment of a cooperative service to supply a need without awakening in the consciousness of the participants a realization that they themselves by group action are supplying this need and by further group action can supply other needs is not accomplishing the objectives of the cooperative movement. It is imperative that guidance should be so skillful that the participants feel that the organization has come about as a result of their own desire and efforts rather than that it has been superimposed.

Cooperative activities can result in improved living levels in proportion to the degree of participation in sound cooperative enterprises which provide one or more of the following advantages:

1. Provision of necessary equipment for the farm and home, and livestock for more efficient production resulting in larger income.
2. Reduction of individual overhead expense by cooperative ownership of livestock and equipment, thus leaving more of the net income available for lifting the level of living.
3. Efficient marketing of products resulting in a larger net income to the family.
4. More efficient and intelligent buying thus enabling the family to secure a higher level of living with the expenditure of the same amount of money.
5. The provision of necessary medical, dental, and sanitation services through group endeavor which would not otherwise be available through individual efforts.

Recreation and Community Participation

New approaches should be made through schools, churches, study groups, cooperatives and through individual families.

We should increase the appreciation on the part of the rural people of the rural facilities that they have immediately at hand and change their idea that worthwhile recreation and community living can be only obtained in the city through the expenditure of money that is needed for something else. There is more wholesome recreation to be had in the country than elsewhere. This better understanding and appreciation of what constitutes wholesome recreation in the country rather than the expensive commercialized recreation of the city can be accomplished through the church, the schools, study groups, and other community meetings, the leaders of which must be stimulated to appreciate these opportunities themselves.

We recommend that Farm and Home Management Plans should include provision for family recreation as an important phase of family development and that subsequent supervision of the execution of the plans be directed toward guiding the family as a unit to acquire skill in developing recreation facilities in the home and in the community. Recreation facilities to be provided in the home through family effort and skills can be developed. Acquiring skills in the arts and crafts and the actual production of handicrafts and artistic products offer great opportunity for wholesome recreation which have social and cultural value and which may become sources of supplemental income.

Group meetings form an excellent nucleus for giving instructions. Through these groups individuals may teach each other. These same groups may purchase cooperatively materials necessary for development of arts and handicrafts.

Summary Statement

In order to carry out fully the suggestions made in this report, we believe that the in-service training programs for field personnel be directed toward training them in techniques and methods of approach which will enable them to guide families in the direction of developing appreciations and skills which will enable them to build up a rural culture and enjoy a more satisfactory farm life.

Discussion:

MR. HUDGENS: I think that is a pretty good report and I wish we had an entire hour to discuss it.

We will turn now to the report of Committee 11, which is one of the most important that we will have today.

COMMITTEE NO. 11

September 20, 1939

Subject for Discussion: Farm Debt Adjustment

a. Taking into consideration the fact that we have had a debt adjustment program from the inception of our RR activities, and the further fact that lack of debt adjustment is still a common hindrance to rehabilitation, what steps can we take now to unify the view-point of our entire organization on this subject and attain better results in FDA work?

Members of Committee:

<u>Name and Title</u>	<u>Region</u>
Dexter V. Rivenburgh, Assistant Regional Supervisor, CHAIRMAN	I
Fred Morgan, Regional Farm Management Adviser	111
Mrs. Sara V. Case, Chief of Home Economics	X1
R. W. O'Hara, Chief, Regional Loan and Collection Section	X11
R. W. Hutchinson, Regional FDA Chief	V11
Samuel L. Dodd, Regional FDA Chief	1V
Howard E. Law, Farm Management Specialist	IX

REPORT:

We, the undersigned COMMITTEE, with the limited amount of time available, considered thoroughly the operation of the Rural Rehabilitation Program, particularly in respect to the adjustment and rearrangement of farm debts. Insofar as possible we have considered the program as a whole, both with respect to past experiences and also in view of any further developments in respect to farm debts and farm credit which may be expected to develop within the coming year. As a result of this study the following recommendations are respectfully submitted:

1. It is recommended that sound, conservative planning be stressed as the basis upon which all debt adjustments are predicated. This planning shall include a careful analysis of the farm and farm family for the purpose of determining the amount of money necessary for family living expenses, farm operating expenses, replacements, and the resulting amount available for the orderly retirement of debts.
2. We recommend that a more intensive education in the technique of FDA be made available to the personnel which handles debt adjustment, and that this instruction be the responsibility of the regional FDA chief through proper administrative channels.
3. We recommend that special attention be given to the selection of county FDA committeemen and their training in the analysis of farm problems, and the planning of sound farm enterprises in their areas. It is suggested that in regions where FDA committees are not functioning adequately that the regional offices give thought to the use of one or more committee members common to both the RR and FDA committees.
4. We recommend that there be obtained a better understanding among all the regional, state, and county personnel as to the objectives of the FDA program and a joint responsibility be felt among that personnel in carrying out the objectives of the program.
5. We recommend that all secured and unsecured claims be adjusted within the ability of the farm client to repay, and that this credit become part of the farm plan to be retired out of farm income insofar as possible, before attention is given to the refinancing of such claim in order to rebuild the good faith of the debtor in the community in which he lives and to restore a normal relationship between the debtor and the creditor.
6. We recommend that cases found to be ineligible by county advisory committees, including families above the group ordinarily assisted by RR loans and those who are heavily indebted to other credit agencies, be referred to the FDA section within the state for attention.

(Signed by all members of the Committee).

Discussion:

MR. RIVENBURGH: Of all the meetings that I have been in that were supposed to deal with debt adjustment, and I have been with Debt Adjustment since 1933, this was one meeting where we weren't talking about just one phase of the program; we covered all of our work and everything else. We were talking about what we are accomplishing with people and about every phase of the program. You couldn't have told when you came into the meeting whether we were talking about debt adjustment, farm management, community and cooperative services, or any other phase of the program. After we had gone through that and discussed the set-up, I think the committee was sold on the idea that they had very few recommendations, brief, concise, and worthy answers to what they thought were the answers to the questions which

were direct questions and only covered one issue. I think the reason why the committee was wholeheartedly back of these recommendations was that 90% of the discussion would end up that some trouble in achieving unity in our program is among ourselves. Fully 90% of the discussion revolved around that point. I think the reason is obvious. On any farm, no matter what corner of the United States you go into, debts have to be paid by farm income, no matter whether the debt is refinanced to carry the burden.

The Committee's discussion of that was that too often one group or one individual does the rehabilitating and the planning and another committee does the debt-adjustment. Sometimes it is a question when the two ever meet. The Committee in talking this over discussed it from all different angles. The Committee discussed the situation with regard to rehabilitation loans and the problems involved in high debts, not in amounts of dollars, but in respect to the ability of the farm or farmers to earn an income and their ability to pay. We discussed it with respect to the past and we tried as far as we could to talk in terms of the future.

We had quite a little discussion on committees, and I am sure that I am voicing the opinion of the Committee rather than as an individual. Debt adjustment work is something a little bit different where you have a case of a rehabilitation loan. There is no way that successful debt adjustment can be carried through to its ultimate conclusion without the support of the local community. It seems almost an impossible task for a Farm Security Administration employee to take the responsibility for putting across the FDA program without local help. He is forced to use the local people and they are and have been serving very well on FDA committees and where they are not functioning you will find one thing; you will find that the committees are not trained. The one thing with the committee is that when you appoint a committee you have to have a job for them to do and you have to have them know what they are trying to do and how they are going to do it. A great many committees are groping in the dark. I think in our own organization we can point out the work which has been done in the last two years by TP committees. They had a job to do and they have done a very creditable job. There is no reason why any committee of debt adjustment cannot function in the same way. The rehabilitation of a client depends upon your rehabilitating him; and his creditors have to be a part of it. The only way that you can make the creditors a part of it is to have local support with your committee, and in large areas we have done very little to be proud of in saying that we have actually given those committees any help or training.

We had quite a little discussion about refinancing. We were all in thorough agreement that sometimes we have refinanced unsecured debts and everything we could get hold of, whereas in other areas we have shut down all refinancing. Either procedure is vicious. You cannot refinance yourself out of debt. So many times we have all seen so many dockets where the supervisor tacks on a couple of dollars to pay that claim. That may or may not be a help to that man and the U. S. Government is the creditor instead of somebody else. The Committee felt that refinancing was a special tool designed for fine work. They felt that every angle of the case should be studied, and then those debts that needed adjusting and it was apparent and logical that they could be paid from future income should be paid in that way. In other cases where by no other means you could secure help for that client immediately, through long-range planning, then those debts could be properly adjusted to the right level. We have not used enough of it that way I am convinced. I think we have used too much of it the other way.

The proof of the thing is this. You take a case where a man owes a grain merchant a number of hundreds of dollars and the equity that is really in back of the payment is small. If you go to that grain merchant and offer him so much in payment of his claim he will take it because anybody will take cash. If you go to that grain man and explain the facts to him and show him what you are trying to do with him, he will understand and be happy to take a part of the cash as payment of the debt because the creditor can never hope to pay the hundreds of dollars he owes, but if he can hope to pay a certain amount in

small payments over a period of time, you can enter into a new arrangement with the creditor. Before the bill is paid on a scale-down basis, the creditor has forgotten the standpoint that he has written off money and he has found that this man has made a new obligation and you are building the fellow back to some reasonable status of credit in his community. I think we are all agreed that the drastic cutting down of debts does not result in improving relations between debtors and creditors. In the future that will be their only source of credit and you have to build them with that. In different areas supervisors constantly will say, here's a group of creditors who are going to rapidly fall to our level and they are going to foreclose and throw them out. Give them one rehabilitation loan and that opens the door and then the supervisor says what shall we do about it. Under our program, if a man is not clearly eligible, we have through our state FDA committees and FDA sections a place where he could go and could be assisted in his financial problems.

MR. HUDGENS: There is so much of a tendency in connection with rural credit to drift into delinquencies -- to allow old debts to hang over as sort of in your left-hand pocket -- and this stress of ours on FDA has brought about in the minds of our supervisors and in these committees in the counties, a willingness to face reality, to have a clear-cut determination of what this man's financial condition is, and then with that as the beginning of realistic planning, plan for his rehabilitation. The most vicious thing about rural credit is the drifting that provides such a great temptation to people who are not quite able to make ends meet and are not quite willing to face reality as to why they are not. I am awfully glad that long ago we got to the point where we ceased to pigeon-hole rural debt adjustment. It is all a part of our program. What the FDA people have done in the use of county committees has been very useful in the present use we are making of county committees in other phases of our work.

DR. ALEXANDER: I think this has been a very unusual day in the history of the FSA. I think the committees have turned in a rather remarkable set of reports. I am wondering if before we close you want to take a few minutes to discuss them or would you rather wait until Saturday morning?

No response --- all right then, the meeting is adjourned.

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